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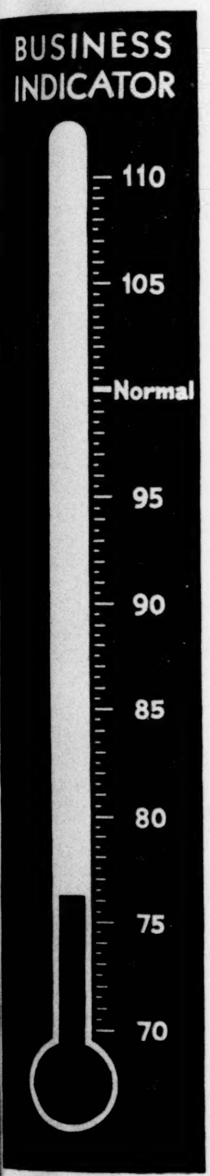
DEC 24, 1930

THE BUSINESS WEEK



As we draw nearer the end of this year there are a few faint signs that business is beginning to pull itself together in preparation for an effort to turn the tide when the next one begins. . . . Resistance to further decline has stiffened slightly, as the wave of liquidation has become heavier. . . . Although our index of business activity fell somewhat farther, from 77.5% of normal to 76.3%, steel production held up against the usual seasonal downtrend, electric power production was fairly well sustained, merchandise carloadings were somewhat higher than the seasonal expectation, and the volume of commercial loans and currency in circulation continued to expand. Firmness in steel prices is being maintained, and both security and commodity markets give encouraging indications of reaction to excessive liquidation under more deliberate support. . . . It is being more clearly recognized that while liquidity is laudable, it is not quite necessary to have a second flood to wash out the economic sins of the new era. As soon as this realization results in more aggressive and sustained support of the seriously weakened bond market by the stronger commercial banks, aided by the Federal Reserve system, the basis for business recovery will be laid, but not before. . . . Reasons for failure to do something of this sort look more convincing from the sideline than they do from the firing line.

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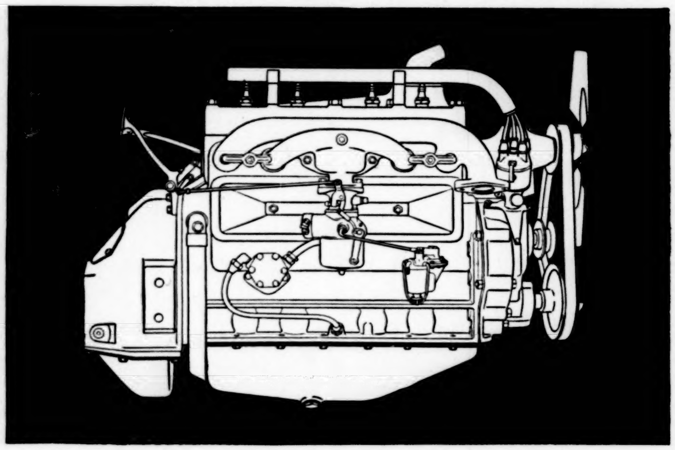

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CHASSIS F.O.B. DETROIT. DUAL REAR WHEELS AT SLIGHT EXTRA COST

DODGE TRUCKS RANGE IN PAYLOAD CAPACITIES FROM 1,200 TO 11,175 POUNDS

THE BUSINESS WEEK (with which is combined The Magazine of Business). Dec. 24, 1930. No. 68. Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 15c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc

What's In This Issue —And Why

Vale, 1930!

UNLAMENTED, 1930 ebbs toward its close. Everyone wants to forget it quickly, but after all four main points of review give valuable hints toward 1931. *(page 32)*

Bonded Pessimism

PRICES of bonds have dropped sharply. Reasons are numerous in detail, but add up to one —prevalent pessimism. *(page 5)*

Convinced

BUYERS, at least, believe steel mills' united drive for better prices is a success; they are trying to order far ahead. *(page 6)*

Tire War

STANDARD Oil companies one by one begin marketing tires. Independent dealers, alarmed, draw lines of battle. *(page 8)*

Chinese Puzzle

THEIR money too cheap, 19 years in civil war, the Chinese keep on buying. Upturn in Orient trade perplexes, but pleases. *(page 20)*

Reciprocity

THREE more railroads more or less reluctantly tell the I.C.C. how they and shippers thwack each other with the twin Big Sticks—purchases, traffic. *(page 14)*

Citroën Rebels

BANKERS want Citroën to retrench; he wants to expand. A battle rages within the great French automobile concern. *(page 13)*

Job Insurance

UNEMPLOYMENT insurance is of 3 kinds, union, union-employer, employer. The last has proved most successful. *(page 16)*

Bank Earnings

BIG banks haven't made so much money in 1930, but they've done better than industry, have covered dividends comfortably, will pay usual bonuses. *(page 18)*

DeVaux 6; Durant 0

W. C. DURANT, chronically 'way up or 'way down, is out again. From his old concern emerges a new car, the DeVaux 6, to be made by his former associates. *(page 13)*

Profit in Inventory

NEW ENGLAND manufacturers have learned they can save money, stabilize employment, by building stocks in dull sales periods. *(page 15)*

Sugar

GERMANY refuses to play ball with Chadbourne; the control plan is balked. But perhaps the decision isn't final. *(page 6)*

Against Piracy

PASSED by the House, the Vestal bill to stop theft of designs for merchandise is before the Senate. Manufacturers are for it; dealers fear it. *(page 10)*

Fresh Cakes

NATIONAL Biscuit Co. announces important changes in sales policies, based, it says, on determination to be sure goods in stores are fresh. *(page 10)*

Milk in Paper

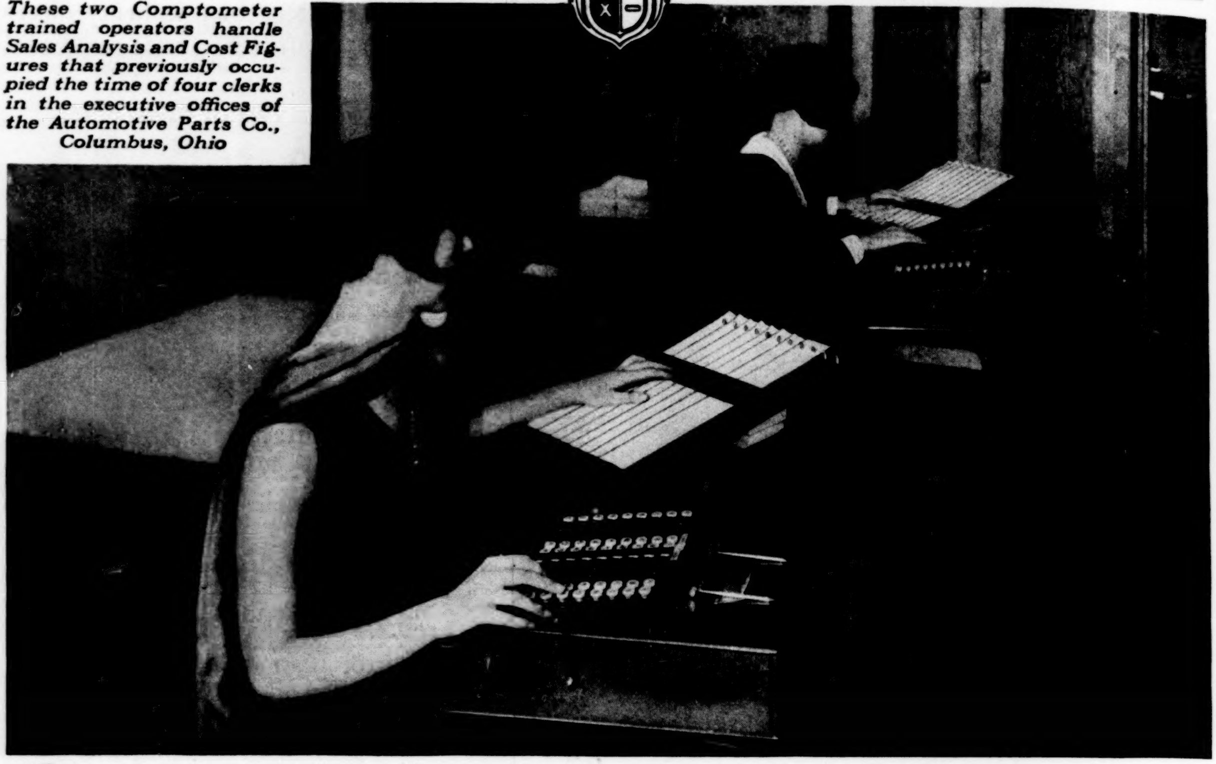
MILK bottles are heavy, breakable, expensive to buy and to handle. Borden, National Dairy, Sheffield are using more and more paper containers. *(page 11)*

A Pool for 185,000

STOCK market pools are traditionally secret, close-held. Tradition never awes Giannini, who amazes Wall Street by inviting 185,000 stockholders to join a pool in Transamerica. *(page 12)*

THE HIGH SPEED MACHINE FOR ALL FIGURE WORK

These two Comptometer trained operators handle Sales Analysis and Cost Figures that previously occupied the time of four clerks in the executive offices of the Automotive Parts Co., Columbus, Ohio



Comptometer speed and service

cut figure work costs

NEVER were statistical figures relating to business activities more necessary to successful management than today . . . nor the need of economy in compiling them more compelling.

Shifting values and stress of competition make it imperative that close tab be kept on the costs and overhead expense of all departments and operations.

Sales must be analyzed to locate low profit spots. Factory costs . . . office costs . . . *all* costs, need watching to hold the narrowing margin between profit and loss.

All this means work . . . more figure work . . . but, *not necessarily more expense.* On the contrary, with the Comptometer, even fuller information is often obtainable at less cost.

A case in point is that of the two Comptometers pictured above. They handle sales analysis and cost figures that previously occupied the time of four clerks. Added to this was a further saving of $2,000 in equipment.

And the buyer ran no risk of a wrong choice. It was a case of "test before you invest." The decision rested, not on persuasive argument, but upon actual performance on the job.

The same test is available to you upon request. A Comptometer man is ready and willing to show you in a practical way, how Comptometer speed and service cut figure work costs. Call him up and ask him about it. No commitment either way.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending December 20, 1930

Bonds Drop to New Low Levels Defying Every Market Precedent

Fixed Income Never Was More Desirable, Yet Prices Reflect Unreasoning Pessimism

BOND prices have been dropping for 10 weeks. The decline has been sharp. No development since the stock market crash of October, 1929, has caused such deep concern in business and financial circles.

The slump approaches in severity that of 1928, and begins to look like that of 1920-21. Yet it differs from all precedent. In 1928, bonds faced the competition of rapidly rising money rates. In 1920-21, the break preceded, rather than followed, declining business activity. In 1907, it accompanied the slump in business.

Prices today are far below any reasoned estimate of values. They reflect current pessimism. "In general," wrote Eugene Meyer in 1922, "pessimism follows and does not precede untoward events."

What Hit Bonds

The impact of an almost unparalleled number of unfavorable forces accounts for the present unusual decline.

Long-continued business depression has unsettled confidence in values. Investors put a new appraisal on risk.

Failure of some financial houses and circulation of rumors regarding others has accentuated timidity.

The volume of new bonds put on the market this year has been much greater than last, when high money rates made bonds unappealing to nearly all investors. This large supply of new issues has tended to create a glut. Yet there has been nothing like the usual demand for bonds.

The Banks' Role

Large commercial banks, especially in New York city, in recent weeks have been selling bonds which they held for investments. They have bought government securities for the sake of the high liquidity, in order to prepare themselves for any strain which they might be called upon to meet. Banks outside of New York have been selling governments because of the low yield and buying other bonds, but their transactions have not been big enough to offset the counter action of New York banks.

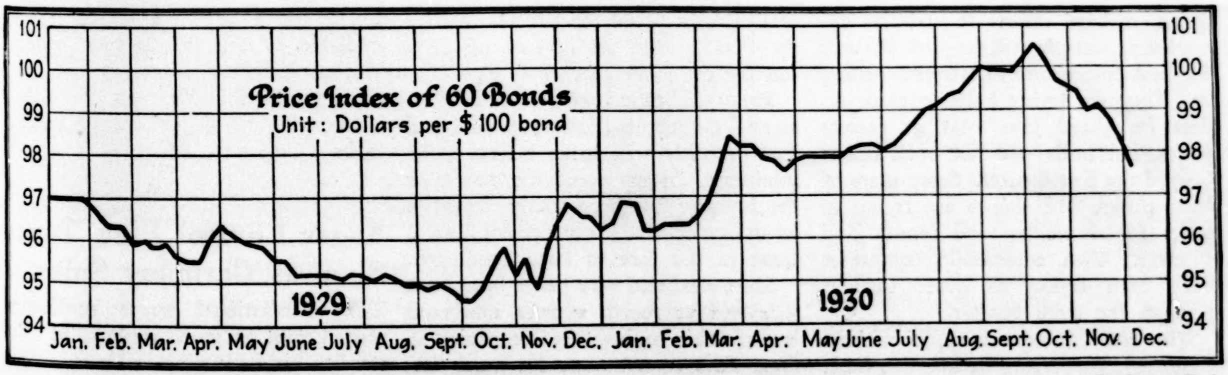
Insurance companies have not increased their large bond holdings to the extent sale of new policies would indicate they might. Loans to policy holders, due to unemployment, lower individual earnings, the need to protect margined stocks have nibbled away their funds. Volume of such loans has increased about $400 millions since June, 1929; about $200 millions thus far in 1930.

Individual investors, instead of turning to bonds after a stock market crash, as they used always to do, are as yet uncured of commonstockitis. They either continue to hold common stocks, have not more funds to invest, or are awaiting the opportunity to get back into the stock market.

Since savings have been increasing but slowly, if at all (*The Business Week*, Nov. 12, 1930) savings banks have not been heavy buyers. Fear that some bonds will be stricken from the legal list, due to declining earnings, has brought some sales by savings banks. Savings banks also are keeping assets more liquid than is their practice in serene times.

New Issues Not Absorbed

The new bonds issued during this year have not been fully absorbed by investors, and many dealers have rather large amounts on hand. Too, the total number of financial houses this year has been considerably in excess of the financial business to be done, and liquidation, or sales to meet operating expenses, have been the occasional result. These factors have combined to make



WHAT'S HAPPENING IN THE BOND MARKET

The Business Week

The line marks the course of 60 leading bonds—15 railroad, 15 industrial, 15 utility, and 15 municipal—as charted by Standard Statistics. This index of bond prices is more favorable than most others, which now show prices at the lowest levels of this year. All groups have been affected, but the higher the grade of issue, the less the decline issuing houses unable to protect the price of their issues in the market.

Bonds today are not so far removed from stocks as they used to be. Sympathetic movement with stocks tends to be great. A large number of senior issues was made convertible into stocks in the days when common stocks or rights to them were demanded by investors.

Fear of foreign upheavals keeps down the prices of foreign bonds.

Decline in corporate earnings has made many investors, individual and corporate, fear for the safety of their interest. Earnings statements for the fourth quarter, due in February, will make unpleasant reading.

Low Prices, High Values

In the face of all these things, the fact remains that declining commodity prices make the bondholder's position enviable. As prices decline, the fixed number of dollars the bondholder receives rises in value. He who holds senior securities bearing a fixed rate of return has the advantage. Yields on bonds are high. The average for 60 leading issues is above 4½% and for 15 leading industrials above 5.1%. Investment counsellors for some time have been pointing out to investors that the real bargain counter opportunities are in bonds—but almost none will listen. Some observers point to the possibility of a reinvestment demand following large dividend payments at the year end.

The significance of declining bond prices is wide. Above all, the break gives the lie emphatically to the idea that money is cheap and funds plentiful. Yields on long-term high-grade bonds have long been used as a measure of long-term money rates. The scarcity of long-term funds is thus being reflected. The situation calls imperatively to the Federal Reserve authorities for aggressive action (*The Business Week*, Nov. 19, 1930).

Restraining Factors

Two factors prevent a flow of such short-term money as is available into long-term investment. The first is that no great amount of short-term money is available. Short-term money rates are low only in the most liquid investments, such as bankers' acceptances, call money, and commercial paper. Other short-term rates have not declined to anything like the same extent. The second cause is the lack of confidence.

If long continued the weak bond market will affect business. Difficulties of borrowing for long term handicap plant expansion, building, foreign expansion.

Improvement in bonds should result when investors realize that high yields no longer are to be had in short-term commitments, that the day of huge profits in the stock market is at an end. Improvement in business, relieving the banks of their anxiety to be so liquid, the life insurance companies of their policy loans, and permitting savings to grow, may help the bond market.

Yet a considerable portion of the funds so released will find their way into stocks, unless the virtues of fixed income can be sold to the public.

The Business Week

Fast Company

On the right is Matthew S. Sloan, president, New York Edison; on the left is Robert Tyre Jones II, Atlanta lawyer, also a good golfer

Best Proof Steel Prices Will Hold Is That Buyers Believe It

STEEL makers' efforts to stabilize the market apparently will succeed. Perhaps the best evidence is that buyers believe so. They are trying hard to place orders far ahead into 1931 at present prices, but mills will not book orders beyond the first quarter. Some users of bars, plates, and shapes are trying to order for 6 months and cannot find a taker. Two automobile companies have been trying to order castings through the third quarter.

The little independents, sometimes refractory, are staying in line this time.

U. S. Steel, Bethlehem, announced an advance of $1 a ton, to $1.65, Pittsburgh, for bars, shapes and plates. This really means $1.60 for large buyers for the first quarter, an advance of $2 a ton for the latter part of 1930.

Every indication points toward increased output for the first quarter, and that probably will mean a firm $1.65 minimum. In any event, the morale of the industry has been vastly improved by the proof that it can present a solid front in the face of hard conditions.

Sheet steel and wire prices have been stabilized at fourth quarter minimum levels. This means that companies in these lines cannot hope for much improvement in their financial position until after the first quarter. Losses of many companies making sheet steel have been so heavy in the last half of 1930 that a return to higher price ground should surely come with the second quarter. Sheet and strip steel lean so much on the automobile that no marked improvement is expected immediately.

Inquiries of the New York Central Railroad for 170,000 tons of rails and of the Pennsylvania for 200,000, as well as other rail business, are coming two months later than usual. It will be remembered that carriers attempted recently to break the price of rails, but did not succeed.

In pig iron the commercial market in the North is well stabilized at current levels, but a large surplus of iron is available in the Birmingham district. The result is that shipments have been made to Detroit, Chicago, and other northern points, in just enough volume to be a nuisance.

Sugar Control Plan Turns Sour as Germany Sulks

THE international sugar conference started with so much promise in Amsterdam has broken up in Brussels after a week's negotiations. Germany, unable to obtain an acceptable figure for the limitation of her exports, withdrew from the meeting. Thomas L. Chadbourne, chairman of the conference and head of the Cuban-American delegation, has not given up hope. He will remain in Europe with authority to confer with Germany up to Jan. 15 next.

At the conference the German representatives, pointing to an 800,000-ton surplus in their country, offered to limit exports to 420,000 tons a year for 5 years. Their final proposal was 450,000 tons next year and 350,000 during the 4 remaining years. The Chadbourne plan allotted Germany 200,000 tons annually. Last year her exports amounted to 235,000 tons.

Germany is aware of the serious situation that may confront her if she fails to come to terms. First, there is the possibility of a sugar war; Mr. Chadbourne could wage it effectively with 1½ million tons of Cuban sugar. Then, American and Dutch banks may be reluctant to finance Germany's sugar surplus because of her refusal to adhere to a world agreement of such vital importance to Cuba and Java.

The other countries at the conference agreed to a 15% cut. However, without Germany and Russia, sugar stabilization is likely to be just a dream.

Commodity Prices Hit New Lows, But Some Bounce Up Again

COMMODITY prices have dropped further during the week. In some cases, however, the downward trend has been stopped upon reaching resistance points, and prices have moved upward.

Silver bullion again declined sharply and, after touching a new low-record price of 31⅝¢ per ounce advanced slightly. Contributing to the decline have been the heavy selling in China and the large accumulation of silver stocks in India, which is turning more and more to paper currency. Some relief may be expected when Mexico takes the projected steps to improve its currency.

The copper export price has been cut ½¢ three times in the last two weeks. Both export and domestic quotations now are only slightly above the level of early November, before the advance. Large producers are out of the market. Custom smelters have been offering the metal at 10¢. Demand, however, continues light both here and abroad, as is reflected in the mounting stocks of refined copper, which on Dec. 1 were 4,902 tons greater than on Nov. 1.

The only satisfactory feature in the copper statistics for November is the reduction shown in blister stocks and blister production. While there is already some evidence of the international agreement's influence on output, its full effect is not expected until next year. It is reported that the Japanese have been asked to cooperate in the world curtailment program. They produce about 4% of the world output.

Cotton Watches Farm Board

Cotton went down to new low levels but recovered some of its losses. Chairman Legge stated that the Farm Board may intervene if the price should decline further. From the pending appropriation of $150 millions for the board's work, $37 millions have been allocated to the cotton cooperatives. Meanwhile, the House Appropriations Committee has been asked by the American Cotton Shippers' Association to withhold the appropriation pending an investigation of the effects of the Agricultural Marketing Act. The association says that all the board has accomplished has been "the unbalancing of the cotton market generally and the forced withdrawal of important merchant and spinner buying power which the market now vitally needs."

The wheat markets were weaker this week. Old December wheat went under the 77¢ level above which it has been held for some time, while prices in Winnipeg fell to new low levels. Canada is hopeful of government action to increase wheat exports.

The government final report for the 1930 season showed a wheat production of 850,965,000 bushels, as compared with 806,508,000 last year.

The Business Week—San Francisco Bureau

THE SUGAR BEET HARVEST

A field in the Great Western Sugar Co. territory, showing the entire operation—digging, topping, and gathering. In the foreground is the dump. In this section of Colorado, Wyoming, Nebraska and Montana, sugar beets brought $30,256,600 during 1930. The final payment of $4½ millions was made Dec. 15 and factories will continue to run 24 hours a day until the middle of January to process the crop

Grain Futures Chief Asks Limit on Trading

WHILE traders in the grain futures markets are asking for a relaxation of regulations, the chief of the Grain Futures Administration calls for a more effective control of those markets. Especially desirable, says J. W. T. Duvel in his annual report, just out, is the passage of an act which would limit the volume of a speculator's daily trading and total futures holdings. At present, his department is unable to do this in the absence of evidence of manipulation. The proposed measure, he thinks, would bring grain prices into closer harmony with true conditions of supply and demand and would benefit all interests using the futures markets for legitimate purposes. A bill in this direction is before Congress.

Seek to Suspend Reporting

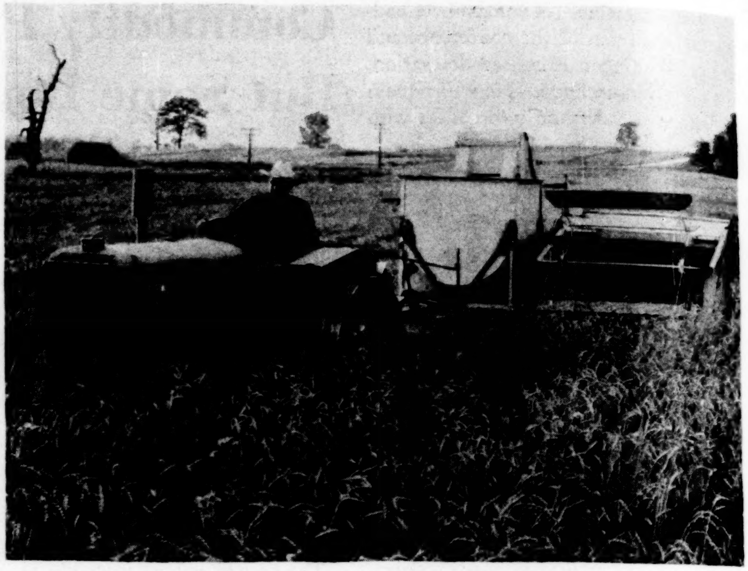
Mr. Duvel states that suggestions have again been coming from certain quarters advocating a suspension of the reporting requirement under the Grain Futures Act as a means of stimulating speculative buying and thereby causing a rise in wheat prices. Such a suspension, it is pointed out, was in effect for 8 months in 1927 and brought no increase in the number of large speculators operating in the market. If the idea is that, without the reporting requirement, speculators could manipulate prices upward, this would clearly go contrary to the Grain Futures Act, which prohibits all price manipulation, either upward or downward.

The Grain Futures Administration is giving serious thought to the matter of trading in privileges, or puts and calls. This form of trading, employed largely by small traders who can not finance transactions in futures proper is being resorted to by large speculators in order to change their market position without making trades in the grain pits.

Japan's Raw Silk Campaign To Follow American Models

A CAMPAIGN designed to stimulate the use of raw silk in this country will be launched next year, probably in July, by the Raw Silk Association of Japan and continued for 5 years. It will follow American promotional methods, with an annual expenditure of $700,000 to $750,000 raised in Japan by contributions from filatures, exporters, and the government. It is expected that the Silk Association of America will cooperate.

The campaign is intended to help Japanese sericulture rather than to combat rayon. Production of raw silk is of vital importance to Japan. It constitutes an important source of livelihood to the farmer and accounts for nearly a third of the country's exports. The United States is Japan's principal customer, taking in approximately 80% of the exports. The low level of silk prices should help the campaign.



Allis-Chalmers

NOW, THE BABY COMBINE

Small farms—and the average farm is a small farm—have never had the benefit of the harvester. The giant combine of the wheat fields could barely turn around in their 40 acres of barley. This machine, easily handled by one man, replaces the traveling threshers with their hearty-eating hands, gives the average farmer a harvester fitted to his fields

Tire Dealers Prepare to Battle Standard Oil for 1931 Orders

As Standard Oil of Ohio follows Standard of New Jersey (*The Business Week,* July 30) and Standard of Indiana into the tire business while the Standards of California and Kentucky prepare to join the procession, thoughtful independent tire dealers are brushing up on the history of chain competition.

The 5 Standards will put Atlas tires, manufactured in equal quantities by United States Rubber Co. and B. F. Goodrich Co. for Atlas Supply Co., into approximately 28,000 owned service stations, which is more than twice as many outlets as our largest chain store system—the A & P—can boast. They will also be able to stock many thousand outside stations on the Standard tank wagon routes.

Chain store history indicates that efficient independent tire dealers will come out of the battle with their positions improved; that many inefficient ones will be eliminated. But the independents are not merely waiting for history to repeat itself. Some are busy tightening their own competitive lines; others are talking organized resistance. Dealers in New York, New Jersey, and Connecticut will formulate protests, plan a defensive at a meeting scheduled for Jan. 7. Similar action is expected in other sections.

Tire manufacturers outside the Standard setup will lend a hand to protect their sales. They are strengthening distributing organizations, selecting dealers with greater care, improving dealer service habits, promoting the one-stop and the so-called super-service station as an investment opportunity with special inducements to attract capable, well-financed men to the field.

Prices vs. Service

Mail-order houses are planning further price reductions on tires, hoping to make the price advantage offset their inability to offer service on their tires. With other competitors, they have got to buck the Standards' unusual service guarantee on Atlas tires: repairs free for 12 months on passenger cars, for 6 months on commercial vehicles; replacements, when necessary, made on an elapsed time basis. And, after thus bidding for public confidence, the Standards have set out to stimulate sales still further by offering service station men a 5% sales commission on casings, 10%

on tubes. Prices on Atlas tires are somewhat above current levels.

Tire sales are likely to be well worth fighting for in 1931. With new equipment taking but 28% of total output, export but 3%, replacement business absorbs 69% of tire production. Averaging 2 casings per car registered over a period of 8 years replacement business dropped to 1.76 casings per car in 1929, due to heavy new-car purchases. With indications of an increased gasoline consumption, hence a higher car mileage in 1930, replacement tire sales for the year were 30% below 1929 levels. Obviously, 1931 replacements should reach unprecedented levels.

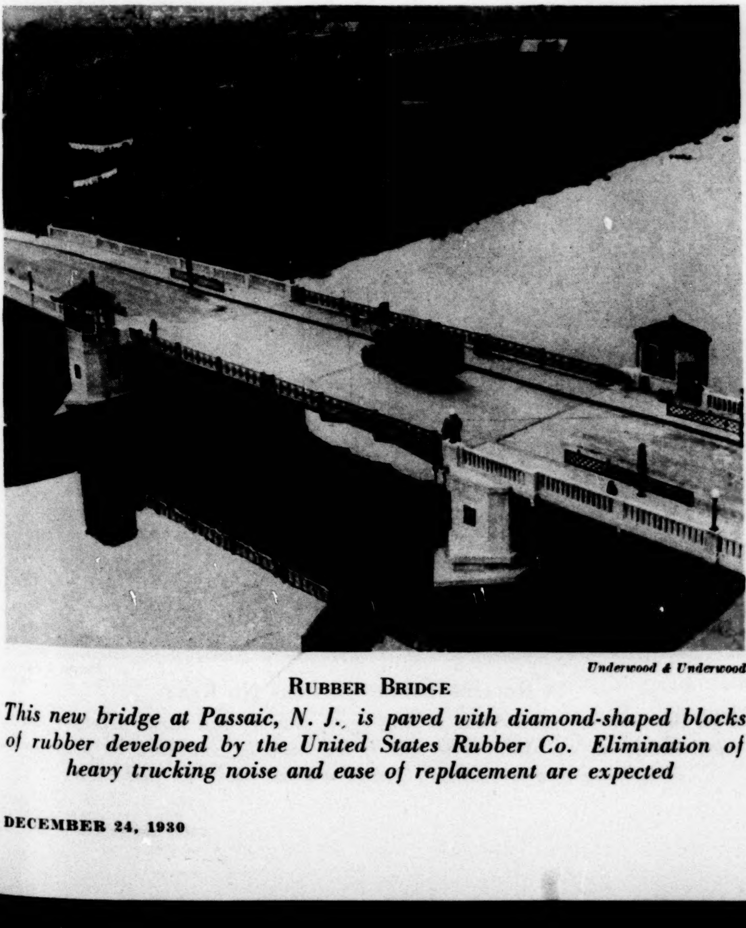
The tire industry badly needs such a revival in buying. Firestone Tire & Rubber Co., although controlling vast resources, efficiently managed, owning 350 one-stop service stations, will barely break even on 1930 operations. The same holds true of the B. F. Goodrich Co. Goodyear Tire & Rubber Co., with exceptional financial strength, widely diversified interests, and a big outlet in Sears, Roebuck Co., is expected to be the only tire-maker showing a profit for the year.

The industry is getting set for this revival. Beginning Jan. 5, Goodyear will increase production from 30,000 to 48,000 tires a day. Working time will be stepped up from 6 hours a day, 4 days a week to 8 hours a day, 5 days a week. Firestone has just put 1,000 men back to work. Goodrich and General Tire Co. will increase output soon after Jan. 1, with Goodrich's Pacific Coast plant planning to stimulate sales by introduction of a new tire.

And out of a revival in tire-buying is likely to come an upward revision in prices. Manufacturers point out that, with tire quality and endurance unprecedented, prices dangerously low, companies unable to earn even 1% on investment, such a revision is in order, could well come even before spring weather boosts seasonal replacements.

Power Consumption Rises a Little

•INDUSTRIAL activity was slightly higher in November than in the previous month. The *Electrical World* index of current consumption shows an increase of 2%, hardly sufficient to have any significance. Chief gains were made in textiles, chemicals, forest products, metals, stone-clay-glass, and shipbuilding. Declines (partly seasonal) were shown in iron and steel, leather, foodstuffs, paper, rubber, and automobiles. New England industry continued on the upgrade during November and was 15% above the July level. The Middle Atlantic states also showed improvement over any month since June. In the North Central states, however, the general average has changed but slightly during the last five months; the November index for the South was 6% below October, due principally to unfavorable conditions in the metal industry.



Underwood & Underwood

RUBBER BRIDGE

This new bridge at Passaic, N. J., is paved with diamond-shaped blocks of rubber developed by the United States Rubber Co. Elimination of heavy trucking noise and ease of replacement are expected

SKF Will Treble Production In Moscow

SKF (SVENSKA KULLAGERFABRIKEN) of Gothenburg, Sweden, world's largest producer of ball and roller bearings, supplier of more than one-third of the world's market, has announced plans to enlarge the present manufacturing plant in Moscow and to triple production. In June the Swedish company acquired control of one of the largest independent French bearing manufacturers and thereby came into control of the entire French and German ball bearing industries. SKF also has factories in Great Britain, and at Philadelphia and Hartford in the United States.

SKF has been operating in Moscow for more than two years on one of the largest manufacturing concessions granted by the Soviets. With increased industrialization in Russia, the enlarged Moscow plant will produce a larger share of the bearings needed.

More than 23,000 men are employed in the 6 manufacturing plants of the company, the 26 selling companies, and the 5 ore mines in Sweden directly controlled by the company.

How Live Retailers Keep Them Buying Now

WITH the conviction that continuance of the present spurt of public buying is largely dependent on aggressive selling, sagacious department store executives and retail merchants are employing exceptional means to keep it going.

In Canton, O., 70 leading retailers have joined and are distributing free a 6-page weekly paper called *Shopping News*, in which important announcements of local merchants are made.

In Ashland, Wis., retail merchants held a 2-day conference under the auspices of the University of Wisconsin, Extension Division, for the purpose of improving merchandising methods.

In Massillon, O., retailers have announced a special men's shopping night when only male clerks will be in attendance—even behind the lingerie counters.

In Toledo, O., department stores in the main shopping section are going to remain open until 6 P.M.

In Middlesboro, Ky., the girls of the local high school have staged a style show to promote local buying.

In Topeka, Kan., a special toy program is being broadcasted to help the sale of Topeka's share of the $88 millions of American toys.

In Phoenix, Ariz., local merchants staged a series of "Phoenix Days," buying special merchandise, holding special sales, using cooperative advertising.

In New York City, several stores formerly not in the habit of keeping open evenings have extended shopping hours to 9 o'clock and are finding the experiment profitable.

In New York also the Credit Bureau will remain open until 9 P.M. so as to have readily available for its members credit information on last-minute buying.

Battle Over Vestal Bill To Halt Design Piracy

THE Vestal Design Copyright Bill, passed by the House of Representatives at the last session of Congress, starts this one in the hands of the Senate's Committee on Patents, watched by many interested business men.

The bill is a step in the right direction for industries in which design is an important factor—though it will fall short of entirely preventing design piracy. It offers professional designers the same necessary protection that a patent gives the inventor. So say its urgent proponents, among them the members of the Silk Association of America, the American Union of Decorative Artists and Craftsmen, the Textile Converters Association, the American Federation of Artists, the National Knitted Underwear Association. They point out that imitation at lower prices of merchandise which has been a popular success through some feature of style or design is an ancient, profitable and reprehensible practice.

The bill threatens monopolies of production and distribution. Sales of volume-building style merchandise will be disturbed by a provision that permits the arbitrary stoppage of the retail sale of goods against which a copyright-owner brings a charge of infringement. So retort retailers, department store heads and other opponents, including members of the National Retail Dry Goods Association. They are particularly grieved to find in it no provision for the recovery of damages when sales are found to have been stopped unjustly.

What the bill actually does is: (1) to place industrial copyrights on a parity with patents, but without requiring the same proof of claims; (2) to leave it to the owner or registered licensee to protect his interest; (3) to exempt the dealer from any liability except on purchases made after notice or knowledge that he is handling goods infringing on a copyrighted design; (4) to require, as the price of exemption, that the dealer supply full information as to the source of infringing goods.

New Nabisco Policies Cut Through Sales Traditions

DETERMINED to adjust its sales policies to new conditions, regardless of traditions or habits, the National Biscuit Co. announces far-reaching changes effective Jan. 1.

One will take from wholesale grocers the distribution of Shredded Wheat which has been in their hands since this old familiar product first tempted backsliders from the cooked cereal orthodoxy. They have purchased it chiefly in carload lots, passing it on to retailers in 24-box cartons.

Another shift will prevent group organizations of independent retailers from any longer enjoying maximum discounts on cakes and crackers. Thus, for the first time, a manufacturer of a nationally important product disregards the growing influence of voluntary chain organizations. New discount schedules are strictly on a dollar-volume-per-order basis, ranging from 10% on an order of $100 to 17½% on orders of over $1,000.

Nabisco ascribes the change to a desire to insure fresh goods to consumers. While chains of wholly owned retail stores have efficient distributing organizations, voluntary chains or group buyers cannot always promise rapid transmission to retailers of spoilable goods such as bakery products.

In connection with the Washington, D. C., hearings on the packers' consent decree, it developed that 17% of Nabisco sales go to one chain system. This is probably the Great Atlantic & Pacific Tea Co.

Will Study Reasons Why Coffee Loses Its Flavor

DR. ROBERT O. BENGIS has been appointed to the Chase & Sanborn research fellowship established recently at Yale University by Standard Brands, Inc., to obtain information about coffee deterioration and the reasons for loss of flavor after roasting. Dr. Bengis will carry on his investigations in the Sterling Chemical Laboratory at New Haven.

Pacific & Atlantic

A ROLLING STORE GATHERS NO RENT

This one operates in Berlin, selling eggs, cheese, and farm produce direct to consumer at curbside. The side is ingeniously contrived to provide an awning and a counter; goods are on racks in full view

QUALITY
BORDEN'S
SERVICE
SHEFFIELD
B
MILK
MILK
MILK

The Business Week

CRASHLESS MILK BOTTLES

Developed to eliminate breakage and washing troubles and costs, these silent bottles have already made a place for themselves

Paper Milk Bottles Move Toward the Back Porch

THAT notorious suburban alarm clock, the early morning rattling of milk bottles, may disappear if the development of paper milk bottles, now being applied with apparent success to the store trade, can be extended generally to home delivery service. Borden Co. and National Dairy Products Corp. are using paper bottles extensively in New York; Sheffield Farms Co.—National subsidiary—has recently completed a paper bottling plant to supply Newark, N. J.; service is to be started soon in Jacksonville, Fla., Kansas City, and Syracuse, N. Y.; other cities are being considered.

From Roll to Bottle

Paper bottles are not new; many have had the idea of substituting paper for the fragile, heavy, hard-to-collect-and-wash glass bottles, and the results of some of these attempts provide us with ice cream containers, molded cream bottles, and similar products. It remained for Sealcones, Inc., New York, to solve the milk problem, with a machine which takes rolls of paraffined paper at one end and turns out at the other a completed, filled, and sealed bottle of milk.

Paper bottles can be filled with milk at but 1 degree above freezing—much colder than is possible with glass bottles—so that little or no ice is required on delivery routes. A filled paper bottle weighs but 64% as much as a filled glass bottle and occupies only about half as much space. Paper bottles eliminate expensive crates, breakage risks, massive and costly washing equipment, bottle collections, and bottle exchanges. Milk plant operators note that they save storage space; customers that they are sanitary.

But they have their own little problems. One they meet at the cream line. New York and many other states require a definite cream line on all milk containers delivered to homes. Although the paraffined paper used in paper bottles is translucent so that, under proper lighting conditions, a cream line can be detected through it, doubt whether it fully complies with legal requirements has delayed introduction of the new product into home delivery service. No such regulations apply to store deliveries.

Other fields are being explored for possible use. Florida interests are studying possibilities of paper bottles for daily distribution of orange juice, possibly frozen in the container. Quite unofficially, it is learned that the National Association of Baseball Umpires has gone on record as strongly favoring substitution of paper pop bottles for the glass ones generally used by fans for target practice after close decisions.

Far-Flung Sales Depots Help Batá Cut Shoe Price

THOMAS BATÁ, largest shoe manufacturer in the world, has announced from his headquarters in Zlin, Czechoslovakia, that prices on all his shoes will be reduced at once from 25% to 40%. Reduced costs of raw materials, already effective, will be supplemented by greater rationalization. New outlets for the 100,000 pairs of shoes produced daily in his Czechoslovak factories are to be developed in Central and South America. The first of the new sales "depôts" will be located at Curytiba, Brazil. Stores were opened recently in Singapore, Penang, Batavia, and Surabaya as an entering wedge in the Far East. Retail outlets in Czechoslovakia will be increased from 1,200 to 2,000 during 1931.

The 5-day week was recently introduced in the Batá factory (*The Business Week,* Oct. 29).

Electric Heaters Pushed To Build Off-Peak Sales

ELECTRIC light and power concerns are drawing up plans to encourage, on an increasingly larger scale, the use of electricity for house heating.

The particular appeal of this market to the utilities is that it offers a way to increase "off-peak" business; that is, to make more use of generating equipment during the hours when the demand for current is low. Most central stations now operate at an average of 30% to 40% load factor; development of off-peak business might push the load factor up by 25%, reducing costs.

The encouragement program consists largely of offering lower off-peak rates with the understanding that the utility can choose the hours of use. Particularly adapted to this service are hotels, stores, refrigeration and ice-making plants, factories using special manufacturing processes, and, at night and on Sundays and holidays, office buildings.

In apartment buildings where hot water is furnished to tenants by the landlord, it is possible to install automatic electric heating equipment to displace many of the present hot-water-heating devices which require janitor service, fuel, ash removal, and other care in their operation. Absence of fires, open flames or sparks of any kind is said to make the electric method of heating water attractive to garages, where car washing is one of the chief services rendered. Hot-water-storage systems for space heating in residences, which are said to have given satisfaction in trials for several years, will be pushed.

High rates form the principal bar to wider use of electric water heating. Many utilities fear to establish lower off-peak rates on the ground that future changes may so alter the conditions of use as to make such rates unfeasible.

Wide World

GAS SAVER

Dr. Miller Reese Hutchinson and his combustion indicator, which, by showing the percentage of wasted fuel, enables operators of gasoline engines to adjust for perfect combustion, thus saving fuel and eliminating the poisonous carbon monoxide. It will be manufactured as "Motor-Vita" by the Moto Meter Gauge & Equipment Corporation

Transamerica Pool Invites 185,000 Stockholders to Join

Wall Street Gasps as Giannini Again Does the Bold, Unheard of, Thing

IN the very nature of things pools are just as inevitable in markets as they are in brooks.

Last week a little group of determined men built a dam to make a pool for one of the thousand-odd rivulets tumbling from the general cataract. They proposed that their particular rivulet should be held up against the general headlong plunge. There was nothing so remarkable about that. But what was extremely remarkable, and extremely remarked, was that they told the whole world about it. Amadeo Peter Giannini and Elisha Walker told the universe that they had invited their 185,000 stockholders in the Transamerica Corp. to participate in a stock market pool for the purpose of marking up their stock then week-ending at $10.50 per share.

The 6 Months' Pool

The size of the "syndicate," euphony for "pool," will be $20 millions "or whatever amount may be approved" by Messrs. A. P. Giannini, Chairman Elisha Walker, son and president L. M. Giannini, P. C. Hale, and James A. Bacigalupi. Further: "It will endure for six months and will be renewable for another six months at the option of the managers, who are authorized to direct the syndicate and to begin or terminate operations at any time." All shareholders are offered participation on the same terms with the organizers.

Thus it will be seen that the operation is theoretically almost limitless, in the best Napoleonic tradition of the illustrious and audacious founder. Some 185,000 individuals owning 24,000,000 shares of a stock which had sold at 67⅜ in 1929 and at 47⅜ in 1930 were offered open door to a powerful and able pool which bought it on Monday's opening at 10⅜. During the previous week the sale of 356,900 shares had brought it down by 4½ points, whereas during the whole month of November the sale of 424,000 shares had melted it away by only 2 points. The response to this invitation to have a shot at the bears was apparently rapid. On Monday the stock advanced 2⅜ points on purchases of 129,900 shares. During Tuesday's market it advanced a net gain of ⅜ on 59,400 shares, touched a high of 14.

The pool managers at San Francisco told *The Business Week* reporter excellent news of results, along with pointed and heated denunciation of the bears. They explained that they offered to let all stockholders in because they didn't want it said afterwards that a little group of "insiders" had taken advantage of the situation. Mr. Giannini himself, loyal Californian though he is, strolled the beach at Miami.

The Giannini Tradition

High up in one of William Street's most silently carpeted sanctums, a veteran of a thousand pools and raids and squeezes told *The Business Week* inquisitor his soberest conclusions:

(1) It was a characteristic Giannini operation because it was against all tradition. It had never been done before.

(2) It was a relatively safe operation despite its super-courageous appearance because no bear would now dare go short. Where borrow a stock held in widely scattered little blocks by devoted Giannini followers? The stock soon loaned at ⅛th premium and it was as scarce as hen's teeth.

(3) Anybody on earth could "ride" for a while at a profit which must inevitably, and theoretically, come out of the "profits" of the universal pool of stockholders, which profit these same men and women would not regard as a profit at all but as a mere return to real values. Of course no "joy-rider" could guess how far Giannini would let him ride.

(4) Only a major disaster could defeat the scheme because only a major moral disaster would precipitate general selling by the stockholders.

(5) Giannini would go down in Wall Street history for an act of high courage and Latin brilliance. He had known how to mobilize his little sectional army against the irruptions from the metropolis.

DeVaux 6 Comes In As Durant Goes Out

WILLIAM CRAPO DURANT is again in the news. He has lost control of Durant Motor Co. of California; is believed to be out of Durant Motors of Canada Ltd.; is being forsaken by all his old associates and is now left with little more than his American development of the Mathis, French midget car, as a souvenir of his flush days in the automotive industry.

Norman DeVaux, until a few days ago president of the California Durant Co., recently bought control of the company from Cliff Durant—W.C.'s son; has now cancelled its 20-year agreement for manufacture and sale of Durant cars on the West Coast; has joined forces with Col. Elbert J. Hall, co-designer of the famous Liberty war engine and vice-president of Hall-Scott Motor Co. to form the DeVaux-Hall Motors Corp., which will present a new car—the DeVaux Six, priced from $525 to $765—at the Chicago automobile show.

The new car will have a 6-cylinder Hall engine; 115-in. wheelbase; a 3-speed transmission which will provide the same easy shifting of gears as the recently developed 4-speed transmissions. It will be built at Oakland, Calif., in the old Durant plant, and at Grand Rapids, Mich., in a new plant just leased by DeVaux.

This action climaxes a series of moves which have kept the Durant organization in constant turmoil throughout the year. Late in 1929, Durant Acceptance Corp. was dissolved. In July, 1930, a Durant director and associates formed the Syracuse Gear Corp. and bought all Durant Motors interests in New Process Gear Co., Adams Axle Co., and Warner Corp. Later in the same month, executive, engineering and purchasing departments were moved to Lansing from Detroit. On Aug 5, Frederick J. Haynes resigned as president of the company, taking other important executives with him; 2 weeks later, W. C. Durant returned to the post which he had relinquished but 18 months previous.

At this time, Durant announced his agreement with Mathis for the manufacture of an American model, and became a director of American Mathis, Inc., formed to merchandise the small car in this country. Late in August, Ralph Vail, last of the important executives remaining from a year ago, resigned as vice-president and director.

Now DeVaux and Kerby, both of whom became directors when reorganization returned Durant to the helm, are breaking away—DeVaux has definitely done so, Kerby is expected to momentarily. Thus all the far-flung automotive interests which Durant had a few months ago have been reduced to Durant Motors, Inc., the holding company which owns chiefly Durant Motor Co. of Michigan which, in turn, is engaged in development of an American Mathis car. The only other automotive interest retained by Durant is that represented by his holdings in the American Plate Glass Corp.

Wide World

NOT TOYS—SAMPLES

The Citroën dealer in Berlin uses these scale models to sell full-sized cars. They take up less room on the sales floor, tie up less money, yet illustrate the whole line

Citroën Fights Bankers' Demand for Retrenchment

EUROPEAN NEWS BUREAU (*By Cable*)—Continued alarming reports in Paris of the financial difficulties of the Citroën Co., largest automobile manufacturer outside the United States, are without foundation. Recent moves by the prominent bankers, Lazard Frères, to dispose of a substantial interest in Citroën reveals that the financial condition of the giant automobile company is good but that Citroën officials disagree with Lazard Frères on the future policy of the company.

In a statement issued by Citroën, gross profits for the year ending in June totaled $7 millions, or slightly more than in the previous year. Citroën officials propose placing $5 millions in a reserve fund, thus bringing reserves up to $22 millions. After other charges are deducted, a dividend of 1.6% per share is proposed.

The Lazards, holders of a sufficiently large bloc of Citroën stock to give them the right to name a general manager for Citroën, favor retrenchment. Citroën desires further intensification of production; is maneuvering to regain complete control. Some Parisian rumors say the Rothschilds are buying up the Lazard interests; others name the directors of the Galeries Lafayette, Paris department store.

Citroën produces a moderate priced car; employs 30,000 men; manufactured, in 1929, 86,869 automobiles (Ford manufactured more than 1½ million); has branch plants in England, Belgium, Germany, and Italy, and subsidiaries in North Africa.

Its Ice Trucks Weren't So Good But a Big Shipper Made Them

So the Lehigh Valley Bought Some More In Spite of the Operators' Vigorous Kick

FOUR railroads that spend $85,000,000 a year for fuel, locomotives, cars, and 50,000 varieties and sizes of materials and supplies, from carpet tacks and beefsteak to dynamos and dynamite, were put on the stand in New York city last week, to tell the government some more about the way the game of big business is played.

It was the third of the Interstate Commerce Commission's hearing on "reciprocity," and all told the eighteenth hearing on the subject held by the federal government this year.

It started when Senator Brookhart reared up in the Senate and resolved that reciprocal buying was illegal and unfair. The Federal Trade Commission went into action in February with hearings in 9 cities on complaints lodged against Chicago packers for alleged violations of the Unfair Practices Act because of their reciprocity activities.

Big Stick Methods

Then, after a period of quiet exploration begun before either the senator or the Federal Trade Commission made a move, the I.C.C. began its public investigation of charges that big shippers are using big stick methods to get bigger and better railway purchase orders, while credulous and hungry railroads are bargaining away their purchases and their respectability for the big shippers' tonnage.

The railroads examined last week in New York city were the Erie, Lehigh Valley, Lackawanna, New Haven. The turn of the New York Central and Pennsylvania will come later, after the holidays, when federal examiners will go back to New York, and will invade other business centers.

Critics of reciprocal buying found plenty of testimony in the New York hearings to strengthen their views.

Traffic Is the Boss

Traffic departments of some roads are evidently just about running the purchasing. On one road the buyer puts bidders on his lists and takes them off at the traffic department's command, and the shipper who gets the business is frequently named before other bidders submit their quotations. Moreover, the affections of some roads for the time-honored policy of patronizing their home industries have been alienated by the allurements of traffic which wears no wedding ring and must be decoyed to be captured.

The New York hearing brought out with unprecedented force the power of the packers in directing railway buying. In 1924 the Lehigh purchased some ice-handling trucks from a company backed by Swift & Co's traffic. The trucks weren't so good. In fact the men who had to use them minced no words in condemning them. However, there were letters and telegrams from and to the packers, and in 1926 the next (and much bigger) lot of trucks was bought from the same firm.

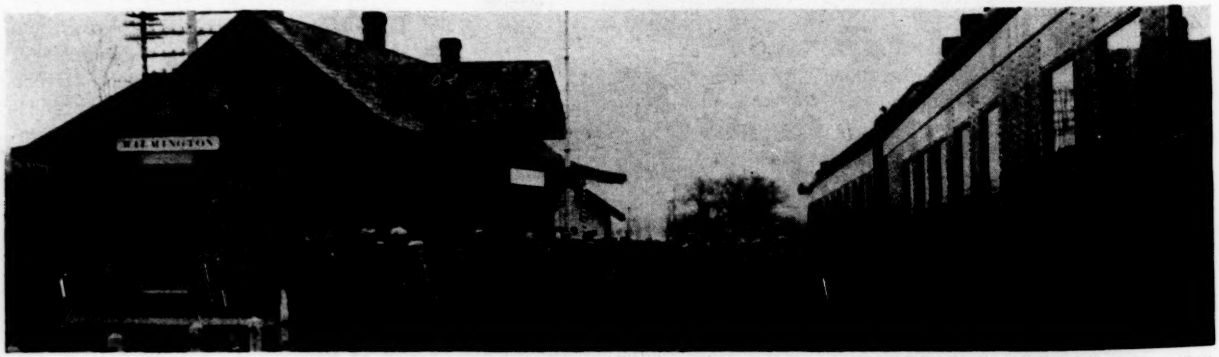
After one road bought draft gear in which a packer was interested, a report came out that the application of the gear cost the road $104 per car as compared with $40 per car and $87 per car for installing other types of gears. And after another road spent $65,000 for the same gear, reports came out that several of the gears were breaking in service.

For traffic reasons, Erie, Lehigh, and Lackawanna all preferred to contract for their icing requirements with firms backed by the packers' traffic instead of placing the contracts with local dealers. While each of three competing roads sought traffic which the others might get, the icing enterprises are now all controlled by one concern. It is the same concern which successfully prevailed on roads in the Chicago region to sign up 20-year contracts. Special privilege, secret rates, and excessive prices are all suggested by the evidence of the various transactions.

Sauce for the Gander

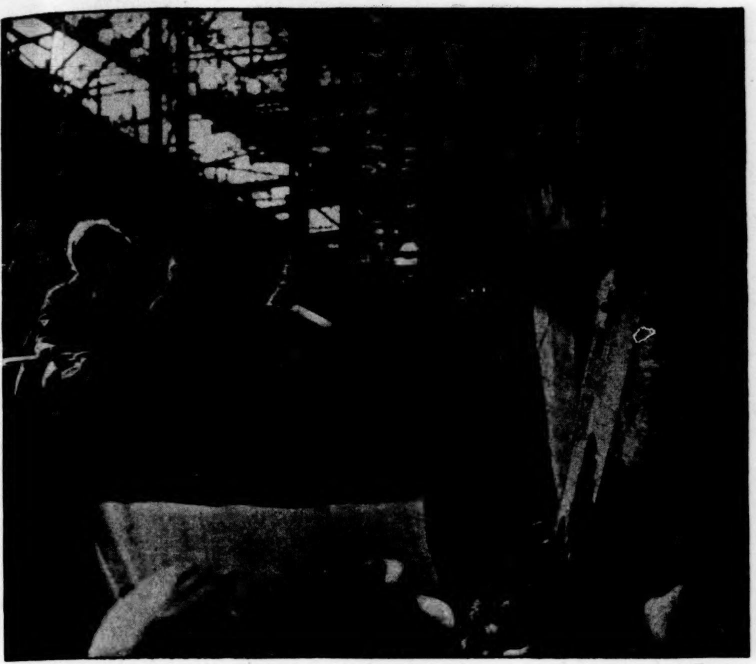
The traffic officer of one road was asked if he believed it wise to pay a higher price for material in order to get competitive traffic and he said by all means, but when he was asked what would happen if competing lines with larger buying power did the same thing to ge traffic away from his road, he admitted that it might affect the business very seriously.

The Federal Trade Commission has not argued its first complaint and has not yet completed investigation in connection with its second complaint. The Interstate Commerce Commission has a big program next year before it can complete its investigations of reciprocal buying.



Pacific & Atlantic

GOING, GOING, GONE!
The once-prosperous Chicago & Alton is knocked down to the lone bidder, Baltimore & Ohio, at an auction held at the little railroad station in Wilmington, Ill.



Keystone

RIGHT ON THE NOSE

Mrs. Herbert Hoover has just smashed a bottle of sea water against the bulging nose of the President Hoover, newest Dollar liner, largest merchantman launched in American waters

Manufacturing for Stock Pays Many New England Industries

Skilled Personnel Is Kept Intact; Cost of Carrying Inventory Less Than Cost of Peak Rush Work

MANUFACTURING in advance of orders has been found a satisfactory way to stabilize business, according to a survey just completed by a committee of New England business men.

Various methods are used to make manufacturing for stock economical, and motives are also varied. In general, however, the survey disclosed that keeping skilled personnel intact throughout the year was the most important consideration. This factor was first in the minds of the managements of The May Oil Burner Corp.; The Gruen Watchmakers' Guild; The Crompton Co.; The Norton Co.; the refrigeration department of General Electric Co.; American Optical Co.

Such widely diversified plants as Barrett-Cravens Co., mechanical handling equipment; Sherwin Williams Co., paints; Hickey-Freeman Co., men's clothing; The Stehli Silks Corp.; The Eaton, Crane & Pike Co., paper; Dennison Mfg. Co., paper products; The Link-Belt Co., mechanical equipment; The Carborundum Co., abrasives; Lumb Knitting Co., women's underwear; are all doing considerable manufacturing in advance of orders, although many of their product lines are special.

Changing distribution methods, particularly a turn to direct dealing with retailers or consumers instead of using jobbing houses, has made larger stocks necessary for many companies and has given them closer control over stock items. Among such concerns are: E. T. Wright & Co., Inc., Arch-Preserver shoes; United States Cotton Co., men's shirts; Bird & Son, building materials.

The New England Confectionery Co. and Procter & Gamble Co. have utilized research to develop methods by which their products could be stored and thus manufactured in advance of orders.

Other companies have made special arrangements with their suppliers or customers in the form of special rebates and terms by which advance manufacturing can be made mutually advantageous. Thus Silent Automatic Corp., maker of oil burners, has a dull season which coincides with that of manufacturers from which it buys motors. It was easy to arrange for delivery of motors during this season which were not to be paid for until the finished product was sold. Similarly, the Meyercord Co., maker of decalcomania transfers, takes excess veneers off the hands of veneer companies to their advantage and is able to schedule its production well in advance of orders without loss.

Where Style Interferes

There are some situations, however, in which this method will not work because of important style factors, excessive space required for storage, great cost of carrying large stores of finished goods, fear of deterioration, danger of over-production. These factors have prevented Black & Decker Mfg. Co.; Edgemoor Iron Co.; Edward G. Budd Mfg. Co.; R. F. Simmons Co.; The Hoover Co.; Coca-Cola Co.; Canada Dry Ginger Ale, Inc.; and others from going far with advance production.

Does it pay? The Ritter Dental Mfg. Co. made a complete study of all the factors involved in its decidedly seasonal business. It discovered that the cost of carrying additional inventory was more than offset by the additional investment in machinery and equipment required to meet seasonal sales peaks.

The Gorham Silver Co. has definite sales peaks in 5 months popular for weddings; its production used to parallel this sales curve. Recently an investigation showed that interest on funds tied up in finished goods inventory, expensive though its product is, was less than overtime wages paid under the old system. Gorham now has divided its year's output into 50 weeks and has operated on virtually a level basis.

Holding Production Level

Other unusually encouraging results from advance manufacturing have been obtained by the White Sewing Machine Corp. During 1929, its smallest sales month was 56% of the largest, but in production the smallest month was 83% of the peak month and the number of employees varied only 8%. Similarly Wickwire Spencer Steel Co. is making screen wire in nearly equal monthly quantities. Sales, from lowest to best month, vary in the ratio of 18 to 100, but production is held within a fluctuation of 80%.

Employers Have Made Best Job Of Unemployment Insurance

Survey of 68 Plans, Covering About 110,000 Workers, Shows Unions Have Been Less Successful

BUSINESS men talking about unemployment insurance, timely subject of debate, are going to talk a lot about the survey of out-of-work benefit plans just completed by Industrial Relations Counselors, Inc., New York, and summarized in the accompanying tables. This survey found that the first plan of the type studied was inaugurated in 1831; but that in 1928—latest period covered—there were only 68 in operation, covering less than 110,000 workers.

Unemployment insurance programs sponsored by trade unions without other assistance seem to have had the least success. Of 13 national and international trade unions which have started them, only 4 are keeping them up today. Numerous local unions have tried them out, have found the financial burdens too great. The 39 union plans now in operation are scattered among 10 different unions, mostly of a relatively small, highly skilled, and closely coordinated membership.

Union-employer cooperative plans have been more successful. Of the 65,000 workers covered by 20 such plans, about 90% are garment workers of Cleveland, Chicago, New York, and Rochester. Only 2 of these plans have been abandoned; both of them in the ladies' cloak and suit trades of New York, both because of strikes rather than financial difficulties. During 1928 about $1 million was put into the unemployment reserve funds of these plans. Employers contribute the entire amount raised by 16 of them; in the men's garment trade plans, employees usually contribute about half as much as employers. Most common amount contributed is 3% of the payroll; average of contributions during 1928 was 4.4% of the payroll.

14 Employer Plans

Including that announced by General Electric this year, there have been 14 unemployment insurance plans sponsored by employers alone. Two of these have been abandoned—one for lack of funds and the other because of unusual technological changes in the industry—so that there are 12 now in operation. The 11 in operation during 1928 covered about 8,500 employees, although total payrolls of the plants enrolled at that time were nearly 11,000—commentary on the effect of the usual rule requiring a stated amount of service with the company before a new employee becomes eligible for participation.

Employer Operation Best

The survey indicates that employer-operated plans are most successful, since they pay considerably higher benefits than the other types, but are operated at much lower cost. This is chiefly because employers have control over operations and, by careful sales and production planning, by transferring workers between departments and by other measures, can influence employment to a much greater extent than can employees. The prevalent motive for establishing plans, Industrial Relations Counselors reports, is to increase economy of operation by giving more regular employment to an efficient working force.

Analyzing the returns of their survey the Counselors conclude that a wide coverage of unemployment insurance will come only through legislation. They see a most useful field in the cooperative plans for fostering employee-employer relations. They cite as chief obstacles to success: lack of actuarial data, improper funding arrangements. They say such plans should be undertaken only in fairly well stabilized industries, by unions with strong and aggressive leadership, by companies that are financially sound.

Specific Things Done By Specific Institutions

GENERAL ELECTRIC Co., through its president, Gerard Swope, has offered to guarantee 50 weeks of full-time work in 1931 to those of its 8,000 incandescent lamp department employees who have at least 2 years' continuous service with the company and who will contribute 1% of their wages to an unemployment insurance fund. The offer becomes effective upon its acceptance by 60% of the eligible employees of each works. Participation in the plan is optional.

This is an extension of General Electric's unemployment insurance plan (*The Business Week*, June 25). The incandescent lamp department is selected for a try-out because its products are highly standardized, involve small risks of deterioration or obsolescence if manufactured for stock. While the new

OUT-OF-WORK BENEFIT PLANS IN OPERATION IN U. S.

Type of Plan	*Number of Plans*	*Employees Covered*	*Benefits 1928*
Trade union	**37**	**35,000**	**$277,000**
Union-employer	**20**	**65,000**	**1,000,000**
Employer*	**11**	**8,500**	**11,871**
Total	**68**	**108,500**	**$1,288,871**

*Does not include General Electric Plan

DETAILS OF EMPLOYER PLANS

Name of Company	*Plan Initiated*	*Payments Through 1928*	*% of Payroll*
Dennison Manufacturing Co	**1920**	**$83,501**	**0.3**
The Dutchess Bleachery Co	**1920**	**67,900**	**1.3**
Rockland Finishing Co	**1920**	**106,280**	**3.7***
United Diamond Works, Inc	**1921**	**38,564**	**3.7**
Crocker-McElwain **Chemical Paper Mfg. Co.**	**1921**	**15,498**	**0.5**
John A. Manning Paper Co. **Manning Abrasive Co.**	**1922**	**472**	...
S. C. Johnson & Son	**1922**	**3,544**	**0.1**
Leeds & Northrup Co.	**1924**	**487**	**0.5**
American Cast Iron Pipe Co.	**1924**	**14,340**	**0.3***

Brown & Bailey Co. has been accumulating funds since 1927. Plan ready to start.

Procter & Gamble Co.
Columbia Conserve Co. } **Both guarantee employment and pay full wages during layoffs.**

*Discontinued

The Business Week

Breaking in the Brokers

Over 700 employees of LaSalle Street houses are attending the Chicago Stock Exchange night school, about 20% more than last year. Dr. Ivan Wright, head of the finance department, University of Illinois, conducts this class in "business barometers," one of 17 courses offered

program concerns only 1931, it is hoped that it will be extended from year to year, possibly with modifications. Those familiar with Mr. Swope's views on stabilization confidently expect that this or a similar plan will be extended to other plants and departments of the great G. E. organization.

Chevrolet Underwrites Sales

Chevrolet Motor Co., through its vice-president, M. E. Coyle, has promised to its present working force of 30,000, continuous jobs through the spring regardless of sales totals. Chevrolet is operating an 8-hour day and a 4-day week; expects to increase its force to 40,000 and then to underwrite its sales so that this force can be kept employed no matter how bad conditions become. Explaining, Mr. Coyle pointed out that the company realizes it cannot expect buyers unless men are at work and receiving wages; that it is underwriting its spring sales to make sure it is holding up its end in aiding business recovery. In effect, this announcement assures work for over 100,000 men. Another man is employed by General Motors for every one on the Chevrolet payroll and at least another 40,000 will be required to produce materials used in Chevrolet cars.

Governor Walter J. Kohler of Wisconsin has announced that Kohler Co. is working full time and is providing full wages for its 4,000 employees, as it has for many years. This company maintains large warehouses and, during slack times, accumulates stocks.

Under the auspices of the President's Emergency Committee, a series of nation-wide radio hook-ups is to be used to present methods employed by representative industries to alleviate and prevent unemployment. Gerard Swope will start the series with a description of the General Electric unemployment insurance plan; others already scheduled to speak include Cyrus McCormick of The International Harvester Co.; Walter Teagle of Standard Oil Co. of New Jersey.

November employment decreased 2.5% from October, according to the U. S. Bureau of Labor Statistics, while payrolls decreased 5.1%. The greater decline in payrolls than in employment is indicative of part-time operations rather than of reduction of wage rates, it is believed.

A survey of persons employed in federal, state, and municipal public works—measuring the step-up in public construction—made by the President's Emergency Committee discloses that a minimum of 200,000 more persons were engaged in such work in November than during the same month last year.

New York Prescribes For Unemployment

New York's employment planning commission has made its report ahead of the 3 similar state bodies set up by Ohio, Illinois, and Pennsylvania. Points of special interest in a long series of recommendations:

(1) Concerns too small to solve their own seasonal unemployment problems adequately should be able to get information and aid from trade associations, chambers of commerce, the state.

For Dismissal Wage

(2) Dismissal wages should be paid to all workers displaced by impersonal forces (technical or policy changes) rather than because of personal faults.

(3) State employment service should get more state money; state licensing and inspection of private employment agencies should be substituted for municipal supervision.

(4) Communities should organize employment research and unemployment relief committees.

(5) State and municipal public works should be fitted into a long-time program framed by a state planning board, accelerated during depressions.

(6) Employers should spread out work in slack times instead of thinning down working forces.

(7) Industry should adopt insurance plans to help stabilize wage-earners' incomes during unemployment. Some "properly constituted national body" should discuss this subject and methods of supplementing individual effort under stress of unemployment too widespread to be met by individual rseources.

What Some Have Done

The commission, canvassing industry for suggestions on ways of eliminating seasonal fluctuations, noted:

(1) Stimulating consumer and dealer demand in the off-season, cited International Shoe Co., American Radiator Co., Hills Bros. Co., Sherwin-Williams Co., Coca-Cola Co.; (2) scheduling production, cited Remington-Rand Co., Remington Typewriter Co., Eastman Kodak Co., Otis Elevator Co., Bausch & Lomb Co., International Harvester Co., Procter & Gamble, Knox Hat Co., AutoStrop Razor Co.; (3) introduction of sidelines and fillers, cited International Harvester, Remington Arms Co., Welch's Grape Juice Co., Beech-Nut Co., Dutchess Mfg. Co., H. A. Dix Co.; (4) substituting the flexible working day for the layoff, cited Delaware & Hudson R.R., National Cloak & Suit Co.

Banks Find 1930 a Fair Year; Dividends Comfortably Covered

Varied Departments Earn Well, Helping to Offset The Declining Return from Loans

EARNINGS of the big banks, though cut by the business depression, are holding up better than those of industrial corporations. Bank dividends will be virtually unchanged from 1929. Substantial bonuses, though probably aggregating less than last year, will be paid to employees.

Bank earnings figures are not as readily segregated as industrial earnings, therefore it is impossible to estimate in figures the extent of their decline.

Dividend Ratio Low

The banks are able to maintain their dividends because their practice is to disburse to stockholders a smaller percentage of earnings than is the general industrial practice. Bank earnings can decline considerably and still leave dividends well covered. Many leading New York City banks earned their dividend for the year in the first 9 months. Some few are using for dividends a portion of their large undivided profits accumulations, but this procedure is exceptional.

Banks, in general, will pay about the usual year-end bonuses to employees—but not to so many employees. Bank staffs have been greatly reduced. Bank custom has come tacitly to regard bonuses as a part of salary. The total of bonuses is a small figure in operating expenses.

Several factors have decreased bank earnings. Most important is losses on loans through commercial failures and through declining prices of securities pledged as collateral. These losses eat into earnings or into surplus, depending upon the bank's accounting practice. Decline in bond prices in recent weeks strikes at the investment account, though losses here frequently are not taken until the security is sold. Bank failures through the country hurt the remaining banks in proportion to their correspondent accounts. Decline in money rates also cuts earnings.

Compensatory factors exist, however. Diversification, the so-called "department store" banking, has stood in good stead this year.

Not all interest rates have declined appreciably. This has maintained banking department income more than quoted rates in the New York money market would indicate. This is particularly true of banks outside New York City. While rates on call loans, commercial paper, and bankers' acceptances average very much lower in 1930 than 1929, customers borrowing direct are paying nearly the 1929 rates.

The Volume Pays

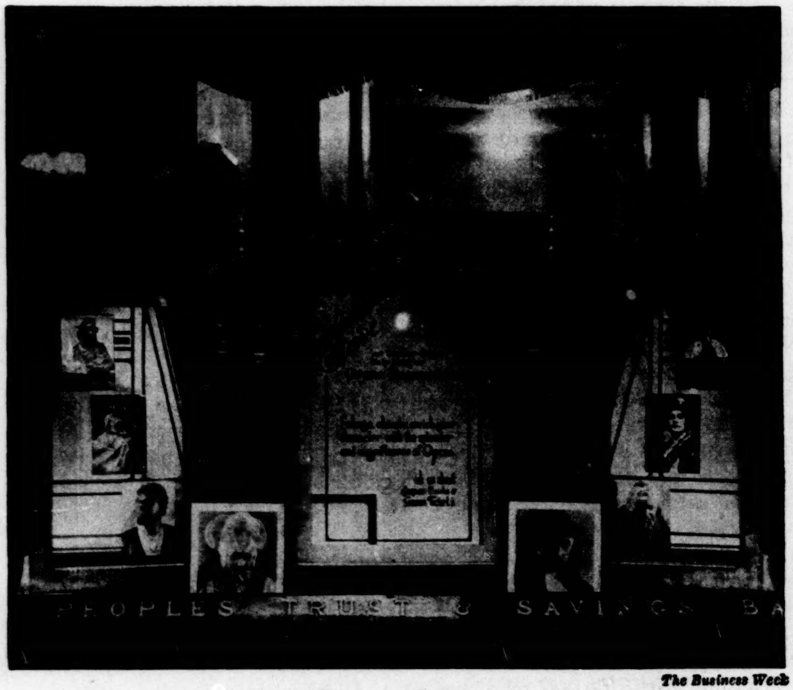
Other departments have had relatively a good year. Fees and commissions remain unchanged. Volume of acceptances outstanding is about the same as last year; the fees for accepting are unchanged. Volume of new bonds floated this year has been much larger than last year; even allowing for losses through difficulties in distribution, security affiliates have had a fair year.

Trust departments of banks and trust companies are doing a better business this year than last. A bad stock market convinces the bank's clientele the bank can best look after investments. There has been an especially large growth of living trusts. Bank income has remained good or even increased under registrarships and transfer agent agreements.

Only Part of Picture

Earnings reports but partly represent the condition of a bank, however. A sufficiently large volume of loans may be frozen to make the bank unliquid, yet interest payments on those loans continue regularly and the institution may show good earnings. For instance, the Bank of United States, which closed last week in New York, had reported earnings in the first 9 months covering its dividend for the entire year with a considerable margin to spare. Write-offs and setting up of reserves would prevent this in many banks.

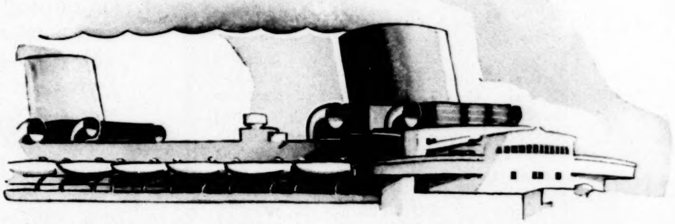
Bank stocks continue weak in New York, unsettled by the recent failure in that city. The *American Banker* index of stock prices of 20 leading New York City banks is at the lowest point since January, 1927. Average yield is about 4%. Operations of the rumor factory, realization that a long time must elapse before poor loans can be cleaned out, prevailing pessimism as to the future of business, are responsible.



The Business Week

SAVE TO SPEND

Beginning with Christmas Clubs, the save-to-spend idea spread to vacation clubs. Now, this Chicago bank offers an "opera club." It feels that purposeful spending satisfies the urge to spend, starts the saving habit



"*Sail for Paris immediately*"

The export sales counsel for a large automobile concern was suddenly called away on a five-months trip to Europe. He was newly appointed to the position. He had scant time to arrange his affairs.

His personal fortune was tied up in investments that demanded careful supervision. Must he convert his holdings into less variable, and perhaps less profitable, securities? Should he try to follow the market while he was abroad?

WHAT he will find in National City service

CONVENIENT OFFICES.
National City offices throughout the world are at his command.

INVESTMENT EXPERIENCE.
He will be dealing with an organization with a background of over a century of financial experience.

MARKET CONTACTS.
National City offices are in close touch with all investment markets.

INVESTMENT RANGE.
National City's broad lists of securities are available upon request.

These and other requirements of present day investors can be met through your nearest National City office.

The National City Company

NATIONAL CITY BANK BUILDING, NEW YORK

INVESTMENT SECURITIES

UNITED STATES EXPORTS TO CHINA

	Units	*1st 9 Months, 1929*	*1st 9 Months, 1930*
Cotton	**Bales**	**149,000**	**158,000**
Fuel oil	**Barrels**	**450,000**	**465,000**
Gasoline	**Barrels**	**300,000**	**400,000**
Kerosene	**Barrels**	**2,650,000**	**2,100,000**
Lubricating oil	**Barrels**	**250,000**	**205,000**
Steel	**Value, gold**	**$5,640,000**	**$5,060,000**
Electrical equipment	**Value, gold**	**$2,340,000**	**$2,050,000**
Copper	**Pounds**	**5,060,000**	**5,650,000**
Tobacco leaf	**Pounds**	**52,900,000**	**72,500,000**
Cigarettes	**Thousands**	**4,150,000**	**1,347,000**
Automobiles	**Number**	**2,500**	**1,142**
Automobile tires and tubes	**Number**	**2,500**	**4,460**
Aeroplanes	**Number**	**9**	**38**

UNITED STATES IMPORTS FROM CHINA

	Units	*1st 9 Months, 1929*	*1st 9 Months, 1930*
Raw silk	**Pounds**	**11,280,000**	**7,830,000**
Silk waste	**Pounds**	**4,000,000**	**5,890,000**
Goat skins	**Pieces**	**8,550,000**	**7,370,000**
Carpets	**Sq. yards**	**340,000**	**310,000**
Raw cotton	**Bales**	**13,000**	**19,830**
Wood oil (for varnish)	**Pounds**	**85,900,000**	**104,650,000**
Egg products	**Value, gold**	**$14,000,000**	**$11,060,000**

Not Even a World Depression Can Depress All China

Despite War, Poverty and the Slump in Silver, She is Buying Stubbornly, Increasingly

WILL recovery of world trade start in China, oldest of commercial nations, rather than in America, the youngest? London, disappointed by an overproduction of promises in the United States, turns toward the Far East where encouraging vibrations may be detected.

It can be argued that China hasn't a Chinaman's chance of recovery since its money basis is silver and silver is busy digging record lows. How shall a Shanghai merchant indulge in California fruit when the can that used to cost 70¢ (Mexican) is now $1.40 or more? And look at all the fighting!

The answer is that the Orient is not to be measured by any Western slide-rule. Figures, duly sanctified by the United States Department of Commerce, prove that things are looking up. Returns for October indicate that for the third successive month we have increased sales to the Far East. A healthier turn in the Chinese market, aided by smaller gains from other countries, offset losses in shipments to and from Japan.

October's export and import trade with the Orient was 10.5% above September. Exports were up 6%, to $43,466,000; imports rose 16%, to $70,330,000. The $113,796,000 total was 38% below the same month of 1929, but much of the slump was due to the decline in prices. We bought 7% more raw silk than in October, 1929, but value declined 34%. We bought 55% more rubber from southeastern Asia than in October, 1929, but the value declined 27%.

Japan is organized on Western lines and its pangs have a Western intensity. Other Oriental peoples living closer to the earth, having fewer manufactured needs, are less violently affected. India's grand totals declined. But there was a rise in imports of sugar, boots, shoes, spices, cotton, cement, also in the export of rice, cotton, raw cowhides, lac, pig iron.

China is the great enigma. With the power of the gold dollar multiplied by the drop in silver it ought to be easy for Americans to buy from China, hard for them to sell. Instead, China achieves a paradox. Her October imports from the United States were up 67% over the previous month, her exports to us were less.

There is much illumination and amusement in the table on this page. We sell the Chinese a longer staple cotton to mix with theirs in the weaving of textiles; China sells us here short fibers which are better for the making of carpets. Decline in the number of automobiles indicates the longer use of old machines—a fact proven further by the rise in the number of tires. The showing of steel, electrical equipment, copper, means a greater industrialization. Rise in sales of tobacco leaf with a fall in the sale of cigarettes shows the installation of factories in China which roll their own.

Sheer, Irresistible Mass

Sheer, irresistible mass sustains the totals of China's business. Here are 450 million people (it may be 700 million) who work harder and longer than any other race. The individual consumes little. Together they consume a lot. If business is bad in one place, it is good in another. Organization is loose, evils do not spread. Products are too varied to hold the people in bondage to any one market. Particularly:

The year's crops have been good. Like his American prototype, the Chinese farmer spends what he makes. Also, the war gods are much quieter. The Christian President-Generalissimo Chian Kai-Shek seems to have come to terms with Chang Hsueh-Liang, lord of Manchuria. Both are strong men and have created powerful fighting machines. Between them they can squeeze out lesser generals. Ragged armies of banditti still prey on peaceful industry. But for China, things are comparatively quiet.

Certainly, the collapse of silver has hurt. However, merchants and bankers have come to accept the lowered rate. Business continues on a revised level. Like the farmer, the merchant gets good prices when possible; failing that, he accepts what is offered. Business keeps right on going. Goods move, profits are realized, people buy and consume.

Oriental Tariff Talk

China's president and his ardent young aides have hopes of modernizing the ancient land. Conclusions of a commercial conference held at Nanking this fall have a most un-Eastern ring. A tariff must be adopted to protect "infant industries from foreign competition." It endorsed "large-scale production and full cooperation in distribution." Also scientific management and rationalization of industry. Etc., etc., etc. Some resolutions are being translated into action. A tariff designed to produce $100 millions (Mexican) annual

OF COURSE
you can do without it!

IT IS ONLY HUMAN for an advertiser occasionally to challenge the necessity of including THE SATURDAY EVENING POST in his schedule.

Sometimes he tells us about it, saying with a kind of defiant pride: "I guess my business can get along without your magazine."

Bless your heart, of course it can! *But why should it want to!*

YOUR business can get along with inefficient buildings and equipment.

Your business can get along with old ideas stifling new.

Your business can get along with poor location, inept production management, uninspired sales direction, tepid advertising.

Many do.

But the most progressive, most successful, most profitable businesses don't!

ADMITTING that you can do without THE SATURDAY EVENING POST —where is the gain in denying yourself its unique and tested advantages?

Where is the wisdom in sacrificing *time, money, effect* in attempting otherwise to reach those intelligent and substantial American homes that The Post *does* reach — that hub *three-million-families-strong* that turns the taste, thinking, *buying* of the nation?

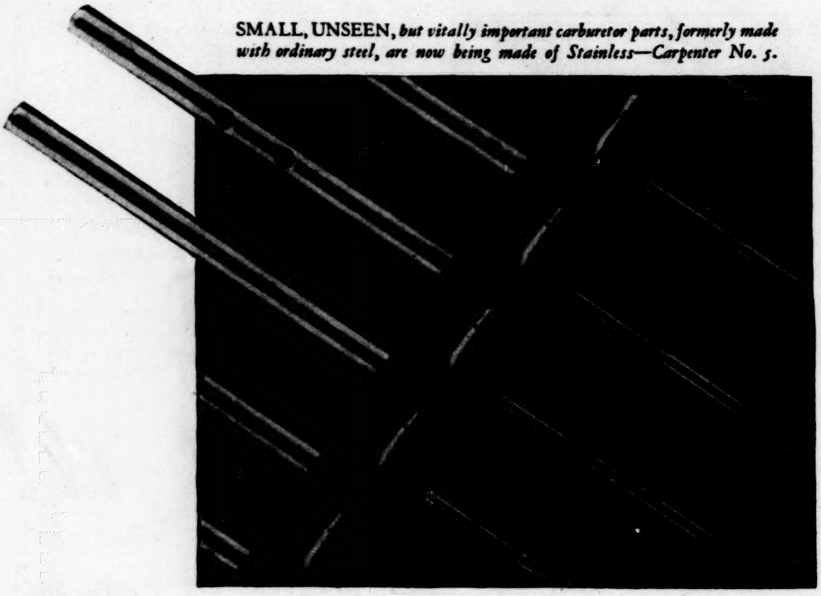
The ablest advertisers settled all that long ago; they *use* The Post.

That is why this magazine stands head and shoulders above all others as carrier of advertising for the leaders of American business!

THE SATURDAY EVENING POST

"AN AMERICAN INSTITUTION"

THE CURTIS PUBLISHING COMPANY INDEPENDENCE SQUARE PHILADELPHIA



SMALL, UNSEEN, *but vitally important carburetor parts, formerly made with ordinary steel, are now being made of Stainless—Carpenter No. 5.*

THREE YEARS AGO . . . NO!

BUT NOW THESE PARTS CAN BE MADE OF STAINLESS . . .

CARPENTER
No. 5
EASY TO MACHINE
EASY TO GRIND
EASY TO POLISH

Only two or three years ago no stainless steel was available that could be machined or ground without considerable material loss, and destruction to tools and temper. This condition changed completely when Carpenter Stainless Steel No. 5 was brought out—the first stainless to have the necessary qualities for economical and satisfactory quantity production of machined parts such as these.

Get samples of Carpenter No. 5 and try them on your own machines—at regular speed, under regular conditions. See how easily you can get stainless qualities in your product—at a cost frequently no higher than the same part made of ordinary steel, plus plating costs.

THE CARPENTER STEEL COMPANY, READING, PA.
Tool and Alloy Steels Exclusively

Carpenter
STAINLESS STEEL

This is the steel that has been widely adopted by the Automotive Industry to replace many plated parts.

revenue will soon be put into effect. With characteristic secrecy they have not announced the date nor the rates.

American automobile manufacturers watch hopefully the road-building program. China built 28,000 miles of highways in 1930. Back of the program is a National Good Roads Association with 26 branches.

The Modern Fever

China's old cities are going in for electric light plants, phones, tramways, sewers. One such project in Chekiang will cost $10 millions (Mexican). The China National Aviation Corp. (American) plans to extend its lines. Air mail routes between Berlin and Nanking have been sanctioned. There is a wireless broadcasting station in Nanking (German-built); one is projected for Shanghai. The latter city is enjoying a building boom. A 17-story apartment house will be erected for foreigners; another 20-story structure is planned for Chinese. The Shanghai Telephone Co. (owned by I. T. & T.) will install automatic equipment with 43,000 lines.

All these improvements look and sound very flashy. But *The Business Week's* representative was not satisfied that he had found the answer to China's invulnerability until he sought out an office high over lower Manhattan and sat down by the desk of a man of Cathay who does a tremendous trading business with the Orient. With the wave of a plump hand, this Chinese business man put aside the Western enthusiasm of China's present lords.

But No Modern Panics

"These men," said he, "have nothing to do with the strength of China's trade. China has been fighting for 19 years. If that had happened in the United States the country would be wrecked. There is no panic in China—there never has been. Such a thing is impossible. We are an ancient and philosophical race. The sorrows of life and the ills of business are accepted as a matter of course.

"Perhaps there is a battle just over the hills. The merchant hopes it will not come any nearer, but he keeps his shop open. If shells wreck the railroad, goods travel by boat or wheelbarrow. Little aid is expected by the merchant from any government. He considers government a necessary evil. What he really wants is no government at all. Good times or bad, the Chinese merchant goes right ahead. Every day is a new day, tomorrow will take care of itself."

Swift Survey of Business Abroad

EUROPE

EUROPEAN NEWS BUREAU (*By Cable*)—The surface of business is more ruffled by current developments than in many weeks past, but these developments are largely non-European. Apart from political outbreaks and the declaration of martial law in Spain, which is of comparatively little international significance, and fresh rumors of another bankruptcy imminent in France, the disturbance to business during the week is primarily attributable to the weakness of commodity and stock markets in the United States and to the fear of effects from the drop in silver on Far Eastern purchasing power. The reaction to cotton prices is especially unfortunate since the textile industries both in Great Britain and on the Continent already had evidenced that only stability of raw material prices was necessary to stimulate demand and permit improvement. The new decline in cotton has now suspended increasing activity.

Fear American Withdrawals

Money markets also are becoming uneasy lest the instability of American securities and banking difficulties in Wall Street result in the withdrawal of American credits and balances in Europe. Such withdrawals would both accentuate the incipient tightness—already occasioned by the movement of European funds as individual countries mobilize their assets for year-end settlement and balance sheet purposes—and aggravate exchange oscillations bound to result from these movements of funds which have combined to render the exchange position of sterling difficult.

As things now stand, Europe unquestionably is further advanced towards ultimate deflation than the United States. Among commodities, port stocks in England of zinc, tin, and rubber are still heavy. Coal stocks alone, and these virtually only in Germany, show ponderous excesses comparable to the congestion in America of cotton, copper, wheat, sugar, and oils, to the coffee glut in Brazil, and to inflated stocks of jute in India.

Await Liquidation in U. S.

European security markets, too, having begun deflation a year before Wall Street, have passed the forced liquidation stage, except possibly in France, and now are marking time at or near the bottom awaiting the stimulus of improvement in general conditions. European conditions therefore face less prospect of further local deflation but are dependent on developments elsewhere and particularly on the ability of the United States to organize progressive orderly liquidation of the top-heavy accumulation of raw materials. Unless these can be funded and released only gradually during a period of carefully controlled production, internationally controlled where necessary, general recovery appears doomed. to wait till the play of free forces of supply and demand complete the deflation cycle.

Following the break in cotton prices and oscillations of copper, European prices, which have been showing encouraging steadiness in recent weeks, gave way to a new decline as holders let go, fearing a fresh wave of deflation, and buyers withdrew to await developments. Tin reacted sharply with copper, but zinc and lead suffered relatively minor declines. Rubber eased fractionally after a considerable period of sustained strength. Wool conspicuously resisted the downward trend. Jute, though irregular, held recent gains. The fall in North American corn, oats, and barley is considered unwarranted by the statistical position and is attributed more to psychological than economic causes. First reports of the area sown to grain this fall in Europe indicate a tendency to reduce acreage where there is a surplus this year. Decision of the Canadian wheat pool to abandon its own selling agencies in Europe and use the customary channels is expected to increase exportability.

Security Values Down

Disorganization of commodity markets and the weakness in Wall Street have led to depression also in security values throughout Europe excepting the sharp, though probably brief, recovery in Italy. Christmas currency demands and year-end settlement requirements have tightened credit. It is reported this week that the League of Nations will sponsor agricultural reconstruction loans to Eastern European countries similar to the previous international loans to Hungary and Austria. The operation is likely to be carried out through the Dutch general mortgage bank in cooperation with the Swedish Match Trust, the B. I. S. acting as trustee.

The Brussels sugar conference closed this week without settling on a restriction program because German delegates would not agree to proposals acceptable to other representatives. A provisional agreement was signed by the other countries and Germany is given until January to join in the pact. A French agricultural loan to Roumania of $24 millions, in addition to the $8 millions loaned recently, is under negotiation. Jugoslavia is also negotiating with Paris for a similar amount. Hungary has secured a $2½ million mortgage loan from the Chase National Bank.

Market Slump and Labor Unrest Distress Britain

LONDON (*By Cable*)—Apart from individual improvement on certain markets, the country has had a gloomy week with a fresh break in confidence and with a slump on stock markets. Coal stoppage is again threatened as 3 fields resist the spreadover plan, making forward contracts impossible. Iron and steel are dull. Jute is adversely affected by speculative movements in Calcutta. Cotton is hit by the fresh fall in raw prices. Wool, with merino in good world demand, and rayon, with viscose yarns settling down to the new price level, are more hopeful.

London reacted only slightly to the New York bank failure until Monday, when Saturday's heavy selling in Wall Street started a downward trend in London securities. Metals are nervous with a pronounced slump in tin. That the new pessimism is not deep seated is evidenced by the selection of this week to float the City of Liverpool loan for $20 millions at 4½% at par with the expectation of a good response.

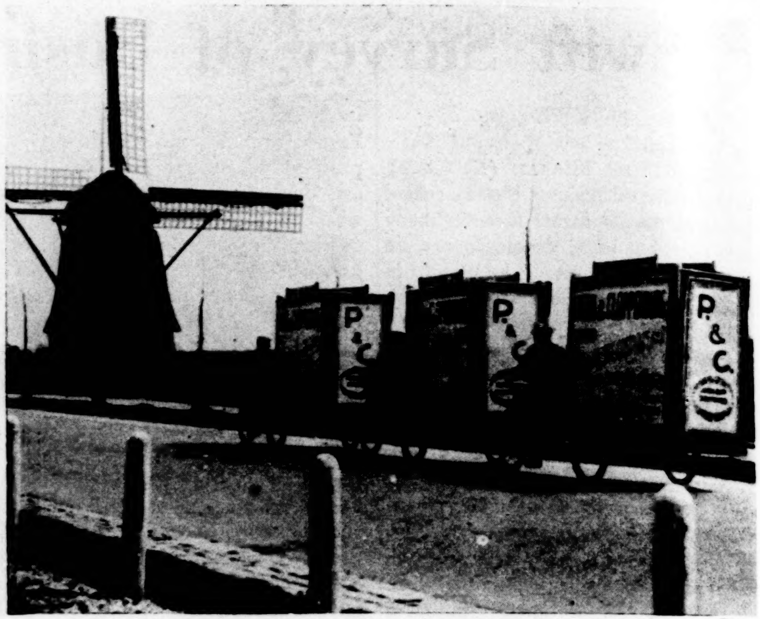
The money market is worried over the continued outflow of gold to France. Recently this has been augmented by steady demand from Germany. Discount rates are hardening but a change in the bank rate is not anticipated. Silver fell Friday to a new low record hitting both the London market and the Lancashire cotton trade, which had hopes of recovery of Chinese buying power until this happened.

The new opposition to the spreadover plan for work in the coal fields until some national agreement can be reached started, and so far is confined to, Yorkshire, Durham and Northumberland. In these districts the 7½ hour day without wage cuts had already been promised. If workers comply with the new temporary scheme they fear they will jeopardize their previous favorable agreement. Wales needs the spreadover scheme until some better plan can be worked out. In the meantime the National Industrial Board is faced with the problem of pleasing both groups.

Lower Tax Yield Forecast

The week was notable for the passing of interim dividends by large companies, including Hudson's Bay (fur traders), Harland Wolff (shipbuilders), National Steel, and others. The British American Tobacco Co. is an exception, reports a good year. Observers point out that these unfavorable results foretell reduced tax yield with the result that the national budget is likely to show a $250 million deficit by next April.

November foreign trade figures show that exports dropped $20 millions to a total of $254,500,000. Imports fell off $29 millions, with the total at only $397 millions. Cotton, rayon, silk, machinery, electrical equipment suffered largest setbacks; non-ferrous ores, flax, hemp and jute showed the only advances. Retail sales for 3 months—August through October—were down 3.3% compared with last year's aggregate value on 6% lower prices.


Bonney

Bicycle Billboards

Permanent advertising signs are not encouraged along the scenic roads and canals of Holland. Always on the move, these traveling 24-sheets never obstruct the view

Price Inflation Worries France More Than Failures

Paris (*By Cable*)—After 10 days of difficult negotiations, a new coalition government composed of Liberal and Socialist elements has been formed under the premiership of Theodore Steeg, ex-governor of Algeria and Morocco, and holder of various portfolios in many previous cabinets. Though the public generally does not expect the new government to last long, it is hoped that it will be able to stand long enough to pass legislation on the budget and on the national equipment program. The eventual return of Tardieu is not unlikely.

Business, which was surprisingly indifferent to the fall of the Tardieu government, is equally indifferent to the formation of the new cabinet beyond being relieved that there is to be no protracted interruption of the administration. The real reason for this indifference is that no political issue affecting business is momentarily at stake. Yet, if French economic indicators mean anything, they point steadily toward a first class depression now in the making. As the crisis develops, it may be foreseen that issues involving labor *versus* industry, and tariff protection for industry *versus* the present protectionism for agriculture—a contributnig factor to rising living costs—will become political issues of the first order.

Immediate business conditions are barren of striking developments, are characterized by the mobilization of all assets, continued gold currency price inflation, gradual contraction of industrial activity. Recent activity is sustained by completion of previous orders, but reports point to a sharp decline in new business. There is fresh fear over the solidity of the more speculative part of the financial structure as bankruptcy in a third holding company looms. This Société Financière Francaise et Coloniale, known after its president as the Homburg group, capitalized at $4 millions and with ramified connections in French Indo-China, West Africa, and Madagascar, has been an active promoter of the development of colonial products. Fall of prices of late has brought a depreciation of shares in the colonial companies held. Negotiations are under way to prop Homburg but so far are without result.

The Minister of Finance has stated that no less than 118 brokers and self-styled bankers are now under indictment and 35 already have been jailed for irregularities. Despite assurances from the Paris Stock Exchange Committee that none of these are members, uneasiness prevails. Larger institutions so far are considered solid.

Publication of the October industrial indices shows a gradual but steady decline of 6% since May. Most of them are now below the 1929 average. Rubber alone has improved; mining and metallurgical indices are stationary; so are textiles as a group, though cotton has strengthened. All other categories have receded, the declines ranging from 2 points on leather, to 18 on automobiles. November is expected to show a further sharp recession.

"Hidden" Price Rise

Though the wholesale index has remained stationary in the last three weeks after a slight decline in November, prices on domestic products have risen steadily, the rise being hidden by the continued decline in prices on imported products. Similarly, foodstuffs advanced to a new peak, while raw stuffs and manufactures reached a new low. Retail prices showed the greatest inflation, rising 10 points during November to the highest levels of the year and to 30% above prewar levels. The cost of living probably will go still higher. The following percentages of increases for individual commodities show the degree to which gold prices are now above the prewar level: wheat, 17%; flour, 26%; wine, 25%; mutton, 25%;

beef, 30%; veal, 50%; fish, 75%; milk, 35%; eggs, 105%; coal, 24%. On the other hand, indications of deflation are now beginning to appear. Industry is carrying on under conditions of extreme competition which have grown up in recent months and is cutting prices close to production costs. The retail trades are indulging in an epidemic of clearance sales at the peak Christmas season.

Price Cuts Lag, Mergers Increase in Germany

Berlin (*By Cable*)—Decision of the Reichstag to adjourn until Feb. 3, when the second reading of the budget bill begins, frees business from political uncertainties for 2 months. Nevertheless it can scarce be said that business sentiment has improved, because the political calm has not been supported by a better business outlook.

The price reduction scheme has come to a temporary standstill. Reduction of steel prices, anxiously awaited by the metal working industries, has been postponed until the beginning of next year. The announcement of a radical price cut of $5 a ton on steel bars, promised last month, seems to have been forgotten. Industrial leaders now agree that the maximum cut is $1.20, while the government insists on $4. Industry justifies its changed attitude by pointing out the world price, f.o.b. Antwerp, has advanced in the meantime from 78s to 87s, that only high domestic prices can make exports possible, and that a price cut now is unlikely to stimulate domestic demand. The main, though not openly avowed tactical reason for postponement, is the desire first to await the Ruhr coal wages award which is not expected before late December or early January.

The week is marked by a series of important mergers reflecting the depression. Borsig, oldest German locomotive builder with a 12% quota of Federal Railways orders (*The Business Week*, Oct. 8) and AEG (German General Electric), with only 2.5% of the quota of these orders but with a large foreign business, have decided to merge their locomotive departments in a new company. AEG holds a majority in the new company due to payment of a cash consideration of $2 millions to Borsig, required by the latter to pay off bank debts. The new combination will be an important factor in the German locomotive industry, ranging third after Krupp and Henschel.

Pulp Firms Merge

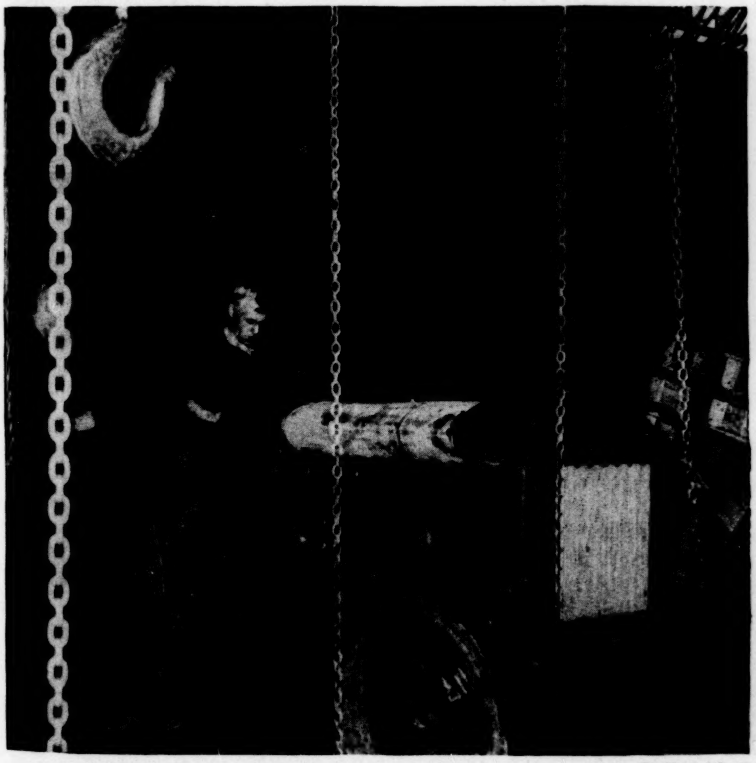
In the pulp industry A.-G. für Zellstoff und Papierfabrikation of Aschaffenburg has combined with Hoesch Co., of Pirna, the new concern having a total of 350,000 tons annual output (Germany's second largest). A final merger with Waldhof, brings to the combine control over 50% of German pulp production. This concentration is bound to strengthen the position of Germany in the recently formed European pulp cartel. The merger of three important watch manufacturers—Junghaus, Kienzle, and Mauthe, completes the week's list.

Anxiety of mortgage debtors is soothed by the decision of the mortgage banks to prolong automatically until 1932 the revalued prewar mortgages due to expire Jan. 1. An agreement has been reached between the commercial and savings banks regulating the interest rate on deposits, thus precluding their competition in future.

New American Credits

After a considerable interval the first new American credits have been announced. Gelsenkirchener Bergwerksag has received $3 millions for 2 years at 6% through Dillion, Read. Deutsche Girozentrale (Central Organization of German Municipal Savings Banks) gets a short-term $5 million loan through Harris, Forbes. Berlin is reported to be negotiating in New York for a $10 million loan, badly needed to cover this year's $25 million deficit. Agreement has at last been reached by the federal and state governments regarding the principles of future control of municipal borrowing. Though two representatives of the German cities have been admitted to the so-called Beratungsstelle, or advisory board of communal credit, the ultimate decision on foreign loans still rests with the federal government and the Reichsbank. The main innovation is that control now is extended practically to all municipal borrowing, including domestic, which was formerly free. The allotment quota of domestic loans is delegated to a communal credit committee of the Deutsche Staedtetag (Association of German Cities) but the federal government reserves the right to veto any communal credit operation.

Foreign trade, which showed remark-



Pacific & Atlantic

"Made In Russia"

The Putilov factory, at Leningrad, where Russia's first tractors were produced, is being enlarged to turn out annually 25,000 units; will leave to the Stalingrad and Karkhov plants the production of heavy "caterpillar type" machines able resistance to world depression in recent months, declined for the first time in November, though the movement is considered largely seasonal. November exports are down $34 millions, compared with October. Finished goods dropped $25 millions, and raw materials $7 millions. The sharpest drop was in textiles which fell $7,500,000.

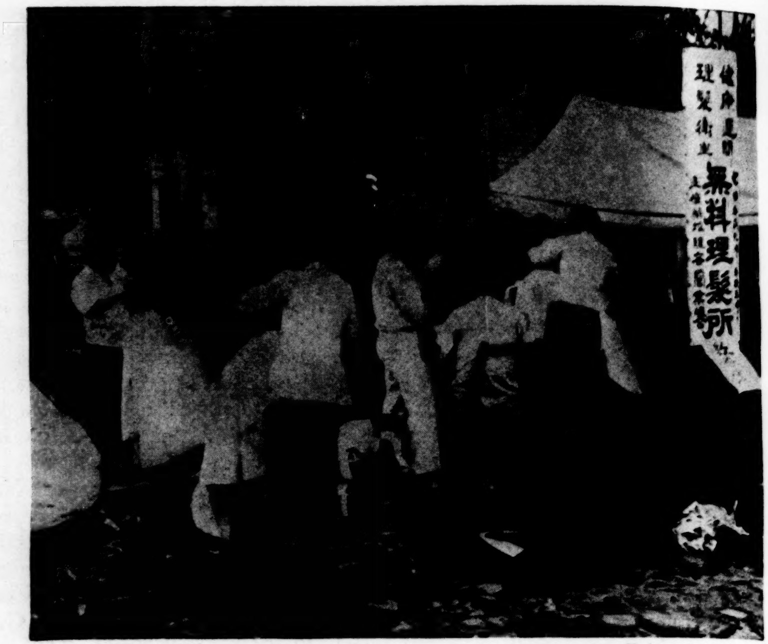
Italy's Economy Program Brings Prompt Results

Milan (*By Cable*)—Italy's vigorous attempts to balance the national budget are not without effect. The savings from the sliced salaries of public employees, plus $500 millions—estimated proceeds from the 1½% sales tax introduced last October—plus another $50 millions likely to be collected from wheat duties before the end of the fiscal year next June, are expected to reduce the national deficit below $40 millions.

It is still too early for business materially to benefit from price changes. Activity is obviously suspended pending the stabilization at new levels. The stock market, however, is up sharply though observers feel probably too sharply to last. Details of price changes reflect the nationwide extent of the movement. The 12% reduction in government salaries has been followed by an 8% cut in industrial wages and an 8% to 25% reduction in farm wages. Rents probably will drop 10% as of Dec. 1 since the National Federation of Property Owners has instructed all branches to report recalcitrant landlords. The press goes further, urges tenants themselves to deduct 10% from the next payment, argues no landlord would have the courage to sue them. Reports from Rome reveal that prices on bread, rice, potatoes, dairy products, meats, and clothing have been cut from 8% to 11%.

New Textile Combines

Textile men fear lowered purchases by America, particularly of silks. Wool is marking time despite low shelf stocks, because dealers are buying only on a hand-to-mouth basis till price reductions are completed. In cottons, conditions are difficult except in printed fabrics. Concentration of the industry is proceeding under the auspices of Banca Commerciale Italiana. Four of the larger mills have formed a joint purchasing and sales organization, members agreeing to specialize on non-competitive lines.



Underwood & Underwood

No Tipping

In Japan, some workers aid the fight against hard times by giving their services to the unemployed. The barbers here have set up shop in a vacant lot in Tokyo to help the jobless to keep presentable

New Legislation May Help Latin Business

Latin-American governments are attempting to cope with the problems of economic depression.

The Uriburu government in Argentina will decree the transfer of gold from the non-functioning Caja de Conversion to the Banco de la Nacion to replace metal which the Banco holds abroad as its conversion fund. Support to peso exchange will be attained through sales of exchange against gold which the Banco now holds abroad. During the first 11 months of 1930, liabilities of commercial bankruptcies totaled $64 millions; in 1929, $47 millions. Customs receipts dropped to $87 millions from $104 millions last year. Exports to the United States in the first 10 months totaled 627,300 tons; last year, 778,242 tons. To prevent the small cereal farmer from leaving his land, a large number of landlords have been reducing rents by amounts ranging from 15% to 50% of previous payments.

The Colombian government has balanced the budget for 1931, a premise required by world bankers before granting further loans to that country.

The Mexican government began Dec. 12 a step toward giving foreign capital the guarantees it desires of protection and sanctity of property rights, through approval by the Chamber of Deputies of important amendments to the national agrarian law.

The credit situation in Brazil is very unsatisfactory in some trades, particularly textiles. Exchange is down. The original moratorium on bills maturing between Oct. 3 and Nov. 30, which granted a 45-day extension for payments in the Federal District, 60 days outside, is now extended 60 days in both districts, provided 25% of the bills is amortized every 15 days in the extension period. Also December maturities have been extended 60 days with the same provisions.

Spain's Upheaval Hits Our $115 Millions Trade

Whatever the outcome of the present political struggle in Spain, business is inclined to expect a trade recession. After months of sporadic labor difficulties which have at one time or another affected almost every industry, and following more months of bickering over a gold policy which would stabilize the peseta, affairs seem now to have reached a climax.

Our annual sales to Spain total $80 millions in which raw cotton bulks largest—nearly $40 millions. Automobiles, machinery, rubber goods, and motion pictures are not insignificant items. A breakdown of 1928 imports from the United States showed that aluminum ingots increased from 102 to 749 tons; elevating machinery from 390 to 824 tons; electric motors and generators from 360 to 1,240 tons; telephone apparatus from 36 to 60 tons. In 1929, automobile registrations increased to 33,490. American cars made up 69% of the total. The United States is the principal supplier of Spanish needs; France, Great Britain, and Germany divide the rest of the trade.

Nearly $75 millions in American money are invested directly in various Spanish enterprises, the most important of which are public utilities, communications, motor companies, and cork production.

American Money

The telephone system of the country is controlled by I. T. & T., employs 10,890 workers, connects 135,300 stations. International Standard Electric Corp. has factories in Madrid and Santander. Ford has an assembly branch at Barcelona, employing 600 men. General Motors is at Madrid. Singer Sewing Machine Co. has a branch at Barcelona. Other American branches in Spain: Boston Blacking Co., United Shoe Machinery Co., Union Sulphur Co., Warren Bros., American Cyanamid.

Armstrong Cork and the Crown Cork & Seal Co. buy vast quantities of cork (*The Business Week*, Feb. 26). Together, Spain and Portugal control the world's supply of cork. Prolonged internal strife in Spain would seriously affect our $19-million annual cork trade.

Imports Low

Other important imports from Spain are olives, olive oil, almonds, all of which are purchased in comparatively small quantities. Our imports from Spain seldom surpass $35 millions, barely reached $22½ millions in the first 10 months of the present year. Our exports to Spain for the same period totaled $49 millions, compared with $67 millions in the same period of 1929.

Two moves by the Spanish government within the last few months had encouraged American exporters to expect better business. Despite the higher tariff decreed recently, machinery was to be cleared duty free to encourage home industry. A law granted contracts only to national firms irrespective of bids. This was to be "modified," and American engineers anticipated a larger share in new building projects.

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Dust has been barred by American Air Filters from the Philadelphia buildings marked in the photograph above, and listed below. A glance at the photograph and the list gives an idea of the extent and variety of the use of American Air Filters. Modernize your buildings, your plants. Protect your investment in equipment, machinery, stocks and employee efficiency. Write today for literature, or describe in detail your dust problem. American Air Filter Co., Incorporated; General Offices, 162 Central Ave., Louisville, Ky., Factories, Louisville, Ky., and Bradford, Pa. Represented in Philadelphia by J. H. Hucker and P. L. Pryibil.

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4. Frank & Seder
5. Wanamaker's
6. Bonwit Teller
7. Whitman's
8. Mawson & DeMany
9. The Hill Company
10. Hotel Vendig
11. Reuben's Restaurant
12. Stauffer Restaurant
13. Horn & Hardart Baking Co.
14. Penn Athletic Club
15. Berkley Apartments
16. Drake Apartments
17. Land Title Building
18. Plaza Trust Company
19. Cassatt & Company
20. American Bank & Tust Co.
21. Liberty Title & Trust Co.
22. Guaranty Building (Gomery Schwarts)
23. Scottish Rite Temple
24. Penn. R. R., Office Building
25. Burlington Arcade
26. Federal Reserve Bank
27. Integrity Trust Company
28. Curtis Publishing Company
29. Market St. National Bank
30. Aldine Trust Company
31. Drexel Bank
32. F. W. Woolworth Co., 1220 Chestnut St.
33. Reading R. R. Station
34. Phila. Elec. Co., Richmond St. Substa., Delaware St. Substa.
35. Jefferson Hospital
36. Stanley Theatre
37. Grand Opera House
38. Pres. Church, Broad & Diamond Sts.
39. H. K. Mulford & Co.
40. Ritz Carlton Hotel
41. Hahnemann Hospital
42. Fidelity Phila. Trust Co.
43. Philadelphia Museum
44. Huyler's Store, 1204 Ches. St.

Other Representative Buildings Not Shown in Photograph

Bell Tel. Ex.-17th & Arch Sts., Chelton Ave., 17th & Lombard Sts.
Sears-Roebuck Store
Blum Store
Atwater Kent Mfg. Co.
Horn & Hardart Rest.
Penna. R. R., Power House and New Broad St. Station
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SCAN THROUGH this very issue. Note how much vital data the past week held for you which you did not find in any other news service. Observe the competent, unprejudiced attitude with which all such items are set forth. Then, consider the amount of special foreign cable news, summarizing so succinctly the outstanding business happenings of the whole business world.

SUCH CAREFULLY assembled, sifted, analyzed and interpreted news every seven days, represents a tremendous degree of co-ordinated effort from the editors and staff of The Business Week. Spot news which will interest you, finds our presses still open late Thursday afternoon. Friday, the complete journal is in the mail.

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New Latin American Roads Sell More Cars for U. S.

UNITED STATES automobile manufacturers were no less pleased than progressive Argentinians when the provisional government at Buenos Aires passed the 1931 budget bill which provides $60 millions for road-building.

With but one exception, automotive registrations in Latin American countries in the last 5 years have increased virtually in direct ratio to highway expenditures. Argentina is the exception. Despite the fact the total mileage hard-surfaced has not increased in recent years in that country, the 5-year increase in registrations was 180%.

Brazil Reacts to Roads

In Brazil, even the coffee slump has failed to retard automotive purchases. Since the country's new road-building program was initiated in 1927, $20 millions have been spent. Automobile registrations in the 5-year period jumped 351%. The increase in 1927 was only 27%. Reaction to new roads in 1928 brought an increase of 68%.

Chile introduced a 6-year program for highway development in 1928. Expenditures on roads jumped from $2 millions in 1927, to $11½ millions in 1928, $10 millions in 1929, and $13 millions in 1930. Automobile registrations increased 5½% in 1928, 32% in 1929, and 30% in 1930.

Mexico started a road program in 1925. Automotive registrations for 1926 jumped 54%; for 5 years, 151%.

Only 6 countries have a larger automobile registry than Argentina—the United States, Canada, France, Germany, Great Britain, and Australia. Despite the fact the country has only 113 miles of paved roads and 311 miles macadamized, automobile registry this year passed 400,000. The country has another 23,600 miles of graded and drained roads on which a start may be made at hard surfacing.

Gas Tax, Too

Few details of the new program are announced beyond the fact there is to be a gasoline tax of 2¢ which is expected to increase government revenue $8 millions annually. With the minimum of engineering difficulties which the flat plains of Argentina offer, $60 millions can go a long way.

In his Buenos Aires assembly plant, Ford is assembling 25,000 cars this year. General Motors also assembles in the Argentine. So does Chrysler, but under dealer control.

The Business Week

"Believe in Santa Claus, But Push Your Merchandise"

When Christmas comes to the merchants of Upper Darby, suburb of Philadelphia, they take full advantage of it. Every lamppost on 69th St. becomes a Christmas tree, every store is decorated. At one end stands a Santa Claus 47 feet high who talks through a giant radio 12 feet high. At the other end, bridging the street from curb to curb, is a Russian village, where carols are sung. They are the aggressive merchandisers who, last summer, covered the whole street with an awning

Drop in World's Export Volume Estimated at About 8%

A pronounced decline is shown in United States foreign trade for November as compared with October. While November usually registers a recession, the reduction last month, amounting to 14%, was much sharper than in other years, except 1929, when it was approximately 15%.

Exports at $289 millions, lowest since 1922, were nearly 12% below October, and imports at $204.7 millions, lowest since 1921, were 17% less than in October. Total exports for the 11 months of this year amounted to $3,568 millions, and imports to $2,853 millions, showing a total loss of $2,482 millions compared with the same period last year.

November imports of gold totaled $40,159,000; exports, $5,008,000. The 1929 November balance was in favor of gold exports, by $23,166,000. During the 11 months of 1930 gold imports exceeded exports by $247,151,000. The January-November, 1929, excess was $239,492,000.

In contrast to the marked decrease in the money value of commerce, the volume is holding up fairly well. The National Foreign Trade Council estimates that the volume of world export trade will show a decrease of about 8% this year, the first setback since 1921. Europe has been affected the least by the present depression and its volume of exports approximates the 1929 figure. Manufactured exports have been the steadiest and raw materials the weakest.

Prince of Sales Joins Britain's Trade Missions

European News Bureau (*By Cable*)—"What Britain needs to realize is that out best men must not be concerned only or even mainly with production. A goodly share of the best available brains must be concentrated on the difficult, complex, but most interesting job of fighting competition in the world's markets." So spoke the Prince of Wales, Britain's greatest salesman, at the annual dinner of the Incorporated Sales Managers' Association in London.

The Prince will follow words with action, will sail in February for Buenos Aires to open Britain's $15-million industrial exhibition to attract South American orders.

Announced at the dinner was the government decision to send a special trade mission to Egypt in February. Personnel is not yet named, will likely be "the country's best." Reference was made to the Far East Mission which sailed from London in November for Japan and China. Expenses were discussed. Economy is important to the British in these depressed times. Total cost is $80,000. Daily pay to delegates is $10 plus $2.50 subsistence allowance. Trade returns will be checked against costs.

Dyestuffs Fight Colors British Politics

London (*By Cable*)—British dyemakers chuckled slyly this week over a successful political maneuver to prevent expiration of dyestuffs protection.

Free-trade Britain created the Dyestuffs Act 10 years ago to protect an infant industry forced into being when war cut off natural sources of supply. Last year, of world production of 195,000 tons of dyestuffs, Germany produced 44%, compared with 80% before the war. The United States supplied 22½% of world requirements, and Britain 11½%. Between 1925 and 1928, the respective shares of the world's trade absorbed by Germany, Switzerland, and the United States remained nearly constant. French and Italian shares declined. Britain's portion of the business increased from 9% to 11½%.

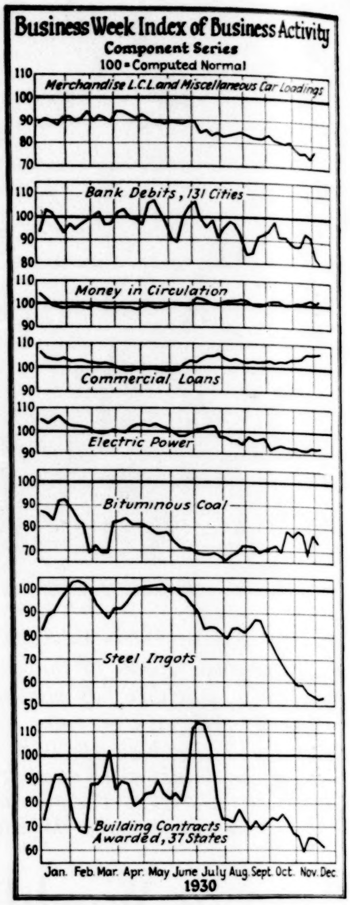
Dyemakers want continued protection, at least until 1932; declare German and American manufacturers are ready to dump in England, ruin their business, if protection is withdrawn.

Exporters of colored goods want an open market, declare they can't compete on equal terms in foreign markets with goods colored with German or American dyes.

Commons some time ago agreed with Chancellor Snowden that protection must end. The Lords refused to agree, shrewdly demanded extension of all, if any, protection. Wednesday, the government voted by a bare majority to refuse any omnibus extension of protective acts. London expects the government to capitulate on an extension of dyestuffs duties until 1932.

1930 Had 4 Characteristics That May Help Forecast 1931

1. Gloom Worse Than Figures; 2. Slump Was Uneven; 3. First Half Was Good; 4. Credit Kept Shrinking



EVERYBODY wants to forget 1930 as fast as possible but it is worth while taking a good look at the past year before the next one starts. There are four main points to note about it that may be helpful in guessing what 1931 may be like.

1. The year as a whole didn't affect the figures as much as it did our feelings. Depressions never bear down on the statistics as heavily as on sentiment, and booms never raise figures as much as they do our hopes. The volume of business in this country is so large that it takes a great deal to make any large statistical dent in it. This was particularly true in 1930. Business looks very low as the year closes, but if we measure the year as a whole against certain fair standards, it was not off so much as we imagine. This is an important fact to bear in mind in judging how long it is likely to take business to come back to a normal level.

Total Trade Down 6%

Take, as a start, the most comprehensive measure available, the monthly index compiled by Carl Snyder, of the Federal Reserve Bank of New York, including almost every type of business activity for which statistics are available. This shows the average total volume of trade for the first ten months only 6% below normal. The production and trade series in this index, excluding such factors as are affected by stock market trading, averaged only about 10% below normal. The full year's figures may make a little worse showing, but probably not much. *The Business Week's* weekly index of production and trade is a much narrower measure but it also shows that the level of business activity for the year to date averaged about 10% below normal.

If the idea of "normal"—that is, the level on which business would be if the average rate of growth in a long period of years in the past had continued in 1930—is hard to grasp, the arrangement of bars in the chart opposite will show almost the same thing more simply, for a number of the most important indicators. Taking the average for the years 1925-29 as a kind of normal level on which business had been going for five years, the chart shows how much 1930 dipped below that level in the most important activities. The comparisons are based upon 10 or 11 months, and the full year might change the picture a little for the worse, but not much. A rough unweighted average of the differences between 1930 and the 1925-29 level is a little over 8%. Thus, however you measure it, that dip of between 6% and 10% is about the difference between prosperity and depression as we experienced it in 1930.

Production Hardest Hit

2. The effect of the depression was very uneven. It was most marked in production, especially in the basic industries, and least in general trade. Employment and wages were affected more than dividend payments, and corporation earnings seem to have suffered more than business volume. This lack of uniformity in 1930 may be seen in the following comparisons:

The average of production indicators in *The Business Week* index was off about 8.5% from normal, the trade indicators only 6%. Coal production averaged 25% below normal, building volume 19%, steel 13%, electric power only about 1%; car loadings of merchandise were off 14%, check payments outside New York only 3.8%, and currency in circulation and commercial loans were at or above normal in the volume of turnover which they represented after allowing for price changes.

Other Comparisons

The comparisons in the bar chart between 1930 and the 1925-29 average show the same unevenness. Building and foreign trade suffered most, even after allowing for lower prices, the former down 25%, the latter 22%. Other basic activities were also a great deal off from the preceding five year average—automobile production, 21.1%, steel ingot production 12.6%. But the total volume of manufacturing as a whole was down only about 10%.

As you come nearer to the consumer the decline diminishes. Total car loadings show the volume of primary domestic distribution only about 11% off. While production of soft coal, an industrial fuel, was down over 11%, the output of anthracite, a domestic fuel, was off less than 9%. Check payments in cities not affected by the slump in stock trading were down only 4% in value and department store sales only 3.4%. In both these cases if allowance were made for lower prices or greater value of the dollar the volume of turnover would probably show up above the average of the 5 preceding years. Electric power production, which reflects not only industrial activity but also general trade and the demand from the greatest industry of all—the home, was nearly 20% *above* the five year average.

Here Is a Mystery

This fact that general trade, especially the volume of goods that move in consumer channels, shows such a relatively small decline compared with production and construction is one of the mysteries of depression. But it is particularly puzzling this time because payrolls of factory workers fell below the five-year average somewhat more than the volume of manufacturing output—17%, as against 10%. Agricultural income also shows about the same decline, 16%. Dividend payments were much larger, but these are not so important to general purchasing power as wages and farm income. A net decrease in savings deposits over the year, after allowing for interest accumulations, may help explain the fairly well sustained volume of general trade.

Why Earnings Dropped

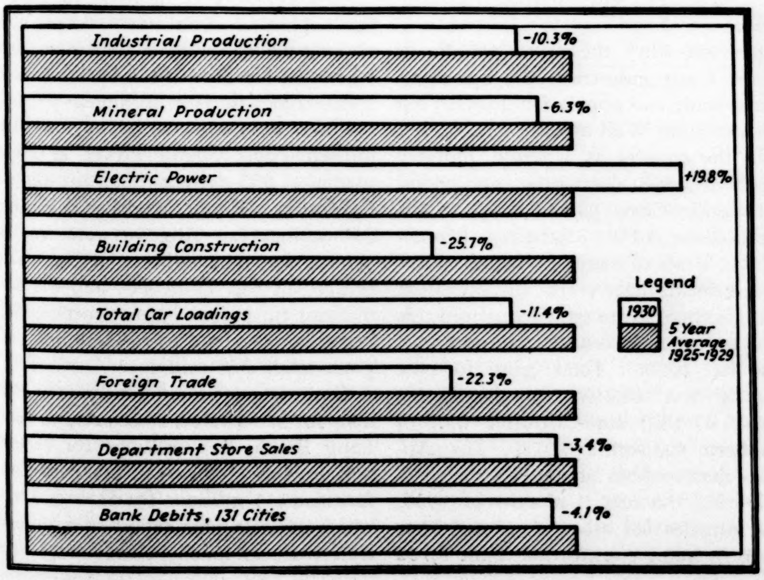
Another significant thing about the experience of 1930 is that corporation earnings outside the railroad and utility fields seem to have declined more sharply than the volume of business—about 15% below the average of the preceding five years. Aside from the fact that corporation profits in many lines have come to be dependent upon large volume, it is probable that a considerable part of corporate earnings in previous years was derived from financial operations which were not so profitable, to say the least, in 1930.

3. The third significant fact about the year is that not all of it was bad. In fact part of it was too good to last. It broke in two in the middle, like 1929. The chart of *The Business Week's* index on page 36 shows how the course of general business in 1930 practically paralleled that in 1929, only on a lower level. The year took off on a good start and business zigzagged its way gradually upward to the end of June when, believe it or not, it hit a practically normal level for a short time. Then began a series of nose dives or tail spins that ended at the close of the year on the rock bottom depression level of about 20% below normal, where in every past major depression business decline has halted.

The 8 components of *The Business Week* index charted opposite show much the same sort of break between the first and last half of the year. This becomes more striking when the figures are examined. Steel ingot production averaged less than 4% below normal in the first half, nearly 14% below in the second half; coal production was only about 20% below normal in the first half, nearly 30% in the second half; electric power production was a little *above* normal in the first half, nearly 5% below in the second. The production series as a whole averaged about 3% below normal in the first half and 15% below in the second. Building was only about 11% below normal in the first half and nearly 29% below in the second; merchandise carloadings were about 10% below normal in the first half and nearly 20% below in the second; check payments were almost at normal in the first half and nearly 8% below in the second.

First Half Good—

The only exceptions are commercial loans and currency in circulation which averaged slightly *higher* in volume in the second half than in the first, probably mainly because of a sharp decline in prices. The trade series as a whole in our index averaged only 3.7% below normal in the first half against 9.1% in the second half. Production seems to have been somewhat nearer normal than trade during the first half, but this relation was sharply reversed in the last half of the year and production fell much farther below normal than trade. *The Business Week* index as a whole averaged only 5.7% below normal in the first half but 13.4% below in the second. In short, at worst there was only a moderate recession of business during the first six months of 1930. The depression really began in the middle of the year.



But Not Good Enough

This definite though irregular improvement in business during the first six months of 1930 led *The Business Week* at the end of June to forecast permanent recovery to normal levels in the fall. This forecast was based also on the rapid rate of expansion in bank credit shown in the loans and investments of member banks of the Federal Reserve system in about 300 large cities which make weekly reports. It was supported further by the steady and rapid improvement in bond prices during the first half of the year. These factors taken together justified the expectation that permanent business recovery would be seen during the second half of 1930. This expectation was upset, however, by another fact in the financial situation which did not become evident until later, because, contrary to all precedent, the figures of the weekly reporting member banks did not represent what was going on in all banks.

4. There was actually a steady contraction of credit during 1930 which made it impossible for the business recovery that had started during the first half to continue. This is shown in the figures of the total loans and investments of all member banks (about 8,000) which become available only four times a year, a considerable while after the quarterly call dates on which the banks are required to make reports.

Credit Cramps

They fell from $35,914 millions on October 4, 1929, to $35,656 millions on June 30, 1930, and $35,472 millions in September 24, 1930, a net decline of nearly half a billion. This decline is very unusual in a depression period. It was the result of a decrease of over a billion and a half in commercial loans, which was to be expected. Bank investments increased nearly a billion, but not enough to offset the decline in merchant borrowings, nor enough to support the bond market. Although average bond prices rose through the first three-quarters of the

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year, this improvement came only in the highest grade issues. The second grade issues declined after the first quarter, and from October the whole list was moving downward rapidly as the year closed. Although new security issues, mainly bonds, were relatively large—only 4.7% below the preceding five year average—it was obviously inadequate bank support that caused the lack of long-term investment confidence and the weakness of the bond market.

This contraction of total bank credit took place despite short-term interest rates which were at almost record low levels throughout the year, and in spite of a very rapid increase in time deposits which put the banking system as a whole in a remarkably liquid position. It had begun beneath the surface toward the end of 1928—not only in this country but abroad—and, with a brief interruption after the 1929 market crash, it has continued to date. The purchase of about $400 millions of securities by the Federal Reserve banks during the year after this crash did no more than replace the credit withdrawn from the market by private lenders.

Under this force of credit contraction commodity prices declined almost steadily throughout the year and averaged about 11% below the level of the preceding five years. Stock prices, as usual, followed in a broad way the course of bond prices, and business activity followed fairly closely the fluctuations in stocks during the year. The significant feature of the movement of stock prices is that in the first half of 1930 there was staged a bull market and in the last half a bear market as large as many in the past. In the stock market, as in general business during 1930, it is clear that the first half doesn't belong in the depression picture, which did not begin to reveal itself till last summer.

Pacific Coast Building High in a Low Year

EVEN in the year 1 A.D. (after depression) Pacific Coast building activities have held a consistently high level. During 1930, California building permits were second only to New York in January and again in October; Washington was sixth in January and tenth in October. Of the 25 leading construction centers of the first 9 months, 5 are on the Pacific Coast—Los Angeles, San Francisco, Seattle, Portland, and Long Beach. These 5 gained 30% in October over September, with November equally good.

Reasons why: the rapid growth in Pacific Coast industries; the increasing tourist trade and population growth; the distance from Wall Street.

In the country as a whole, industry increased .08%; during the same period the Pacific Coast gained 4.1%, California alone 6.2%, Southern California 13.4%, a rate of increase which has continued during later years. In population changes there is the same story, told this time by the 1930 census compared with that of 1920. Total gain for the country was 16.2%; for the Pacific Coast, 47.3%; for California 65.7%, Southern California 107%, Los Angeles metropolitan area 134%.

During the first 9 months of 1930, Los Angeles led all cities except New York in home construction, built 8,700 homes besides hotels and apartments. Industrial construction programs have been equally encouraging. Over $24 millions have been invested in new factories so far this year, including Ford's $3-million plant. Still under construction are factories for Procter & Gamble and General Electric, among others. Four chief rubber companies have put $40 millions into Los Angeles factories within the last few years. Within the year, United States Steel and Bethlehem have invested $60 millions in Pacific Coast plants. Total construction now under way in Southern California, and scheduled for completion by the end of 1930, comes to $116 millions.

Power developments include the $16-million Puget Sound Power & Light plant; a $36-million plant in central California. Public works include the $40-million Los Angeles water supply work; the $35-million Golden Gate bridge for San Francisco; and the $10 millions for harbor improvement in San Francisco; Oakland's 1931 building program totals $40 millions.

Government projects include $8 millions for breakwaters at Los Angeles and Long Beach, $15 millions for federal buildings in 11 towns of Southern California, $165 millions for Hoover Dam, which some experts expect to require at least twice as much before completion.

What the Figures Show

	Latest Week	Preceding Week	Year Ago
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*76.3	†77.5	99.9
Production			
Steel Mill Operation (% capacity)	37	37	64
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$9,851	$10,657	$17,489
Bituminous Coal (daily average, 1,000 tons)	*1,604	†1,674	1,990
Petroleum (daily average, 1,000 bbls.)	2,233	2,229	2,622
Total Electric Power (millions K. W. H.)	*1,875	*1,870	1,970
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	131	128	156
Check Payments (outside N. Y. City, millions)	$4,460	$4,881	$5,735
Money in Circulation (daily average, millions)	$4,730	$4,638	$4,906
Wheat Receipts (1,000 bushels)	3,172	3,205	4,788
Cotton Receipts (1,000 bales)	362	412	461
Cattle Receipts (1,000 head)	*196	†212	185
Hog Receipts (1,000 head)	*680	†656	721
Wool Receipts (1,000 lb.)	1,321	6,735	8,655
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.72	$0.71	$1.20
Cotton (middling, New York, lb.)	$0.100	$0.105	$0.173
Iron and Steel (composite, ton)	$31.68	$31.84	$35.97
Copper (electrolytic, lb.)	$0.100	$0.108	$0.178
All Commodities (Fisher's Index, 1926-100)	79.8	80.7	92.6
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,426	$16,516	$17,375
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,656	$8,747	$9,557
Brokers' Loans, New York Federal Reserve member banks (millions)	$2,008	$2,099	$3,386
Federal Reserve System Ratio	75.8	79 2	69.3
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	14,188	7,805	23,109
Stock Prices (N. Y. Times, average 50 stocks)	$148.06	$157.56	$211.38
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$59,032	$45,736	$64,071
Bond Prices (Dow, Jones, average 40 bonds)	$93.65	$94.92	$94.29
Interest Rates—Call Loans (daily average)	2.0%	2.0%	4.5%
Interest Rates—Time Loans (daily average)	2-2¼%	2-2¼%	4¼-5%
Business Failures (Dun, number)	562	598	514

*Preliminary †Revised

THE decline of productive activity characteristic of December, coupled with continued uncertainty on the stock and commodity exchanges, contrasts with the encouragement afforded by fairly active retail trade. Though November usually shows a decline in foreign trade from the preceding month, the fact that imports reached the lowest level since October, 1921, and exports, with one exception, the lowest since February, 1922, confirms the worldwide extent of the business slump. The *Business Week* Index of Business Activity continues to move downward, reaching 76.3% of normal compared with a revised estimate of 77.5% the first week of December and 99.9% a year ago.

Steel Unchanged

The situation in steel remains practically unchanged, the ingot industry operating at little more than a third of its capacity, with the prospect of a further decline during the holidays. Our adjusted index based on the Dow, Jones estimate of the rate of activity rose from 52.4% of normal to 53.5%, since the usual seasonal trend is downward the last weeks in December. *Iron Age* continues to be optimistic as to the near future of the steel industry, feeling that the excessive conservatism of buyers has necessarily resulted in such low inventories that the early part of 1931 must compel the placement of orders. Pig iron contracting continues active in New York and Chicago, while rail mill operations in the latter city have been raised to take care of the belated orders for first quarter delivery. Tin mill output continues to gain as most large users have placed 1931 contracts. Steadiness in prices of bars, shapes and plates has stimulated forward buying in conservative volume. Structural steel orders for the week run somewhat below the average of the past few months—29,500 tons against the average of 34,000, while prospective demands total 23,500 tons against an average of 48,000 tons. Pig iron production in November declined to the lowest level in the past three years. According to *Steel,* world production of iron and steel has declined to the lowest levels since 1926, pig iron production in the United States declining 15% below 1929 while the rest of the world showed a 30% decline. Steel production in the United States declined 27%, and in the rest of the world 14%.

Building construction also reveals a slackening of activity characteristic of the season. Our index, which is adjusted for the declining tendency of building costs, season and year-to-year growth, fell to 60.7% of normal compared with 64.3% a week ago. Residential construction still represents almost a third of the total volume for the first half of December, with public works and utilities running somewhat less. Through Dec. 12 $102,015,900 of contracts have been let, though the daily average runs 16% below November and 27% below a year ago. Here, as in steel, the very inactivity forms the basis for renewed hope in the coming year. Construction costs are the lowest in years, labor efficiency is high, and the trend of population to urban sections makes future building prospects attractive.

Coal tonnage gained after the Thanksgiving holiday, but the daily rate was less than in the preceding week. Our adjusted index reflects the decline in the daily rate, falling to 73.7% of normal against 76.2%. For November, both anthracite and bituminous coal show declines in tonnage compared with both October and September, but adjustment for the fewer working days in November gives a slight advance for bituminous over the two preceding months, while anthracite shows an advance over September but falls below October.

Electric power production reported a slight increase over the preceding week, so that our adjusted index increased fractionally from 92.3% of normal to 92.6%. Though maintaining 4% to 5% margin below 1929, this series still exceeds preceding years.

Car loadings turned sharply upward after the Thanksgiving week and exceeded the totals of the two preceding weeks. Coal, miscellaneous and less-than-carlot freight showed the largest increases. Our adjusted index based on the last two classifications indicative of general trade turned sharply upward from 73.5% of normal to 76.7%. Total loadings continue around 16% below 1929 and 20% below 1928, when car loadings for November and December ran above the comparable months of 1929.

Check Payments

Check payments declined 5% in the 141 large centers of the United States during the second week of December, while in cities outside of New York City the decline was somewhat greater. Our adjusted index based on the 140 cities declined from 82.9% to 80.5% of normal. Next week should show the customary sharp upward movement in this series, which fluctuates approximately every fortnight with payroll payments and trade requirements.

The volume of money in circulation has risen over $200 millions in the past five or six weeks, after a belated start. The movements of currency in recent weeks have been affected by increased actual or anticipated demands upon banks due to public uneasiness over closing of some institutions. But the expansion of retail trade activity is also reflected in the upward trend of these figures, which when adjusted for price changes, season, and annual growth reached 102.3% of normal compared with last week's figure of 100.3%.

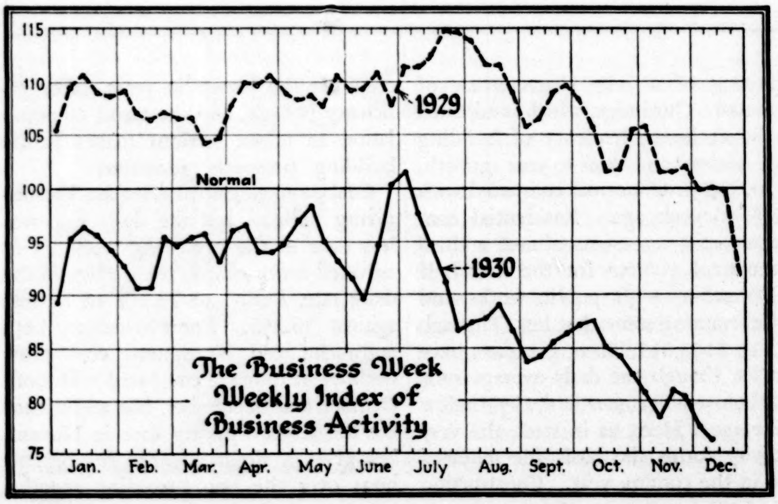
Commodity Markets

Commodity markets show persistent irregularity, though some recovery usually accompanies several days of continuous price hammering. Grain values approached the bottom levels of the season, while cotton declined to the lowest levels of recent years. Crop values for 1930, based on the final estimate of production and Dec. 1 farm prices or seasonal farm prices, show a shrinkage of 27% from last year, or over $2 billions. Crop prices now average lower than any December since 1915. The wholesale price level as reported by the U. S. Bureau of Labor Statistics again confirms the downward tendencies which the weekly indexes have reported. Farm products and foods contributed most heavily to the average decline of 2½% from October. The index of 550 commodities now stands 15% below a year ago. Greater resistance to the general declining tendency appeared in the textile, metal, building material, chemical and housefurnishing groups.

During the week, only lead remained steady among the important non-ferrous metals—copper, zinc, tin, and silver declining further. Tin reached a low for 28 years and silver the all time low. Copper prices were reduced for foreign and domestic sale, though business remains in the hands of custom smelters since large producers continue to remain aloof. The favorable report of reduction in blister copper stocks and output during November offers some hope of future adjustment in the industry, and could prices be stabilized, a good volume of orders would come forward to take advantage of the current low levels.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



The oil industry still suffers from uncertain price levels, with the prospects of improvement not very bright until late in March, when the seasonal increase in gasoline consumption appears. The break-up of the international sugar conference dampens the hopes of price stability in this industry unless Germany can be induced to come to terms in January. Steel and pig iron prices are now below the averages prevailing in the depressions of 1921, 1924 and 1927.

The weekly wholesale price indexes of both Fisher and the National Fertilizer Association show further declines for the second week of December, the latter standing at 79.7 compared with 100 for the years 1926-1928.

Bank credit contraction, normal for the season, resulted largely from the shrinkage in commercial loans. When adjusted for changes in prices, season and annual growth, however, our index stands practically unchanged at 106.3% of normal compared with 106.0% a week ago.

Commercial failures also show the usual declining tendency after the peak week following the Thanksgiving period but the number of insolvencies is far above 1929 and 1928. The next few weeks normally show a sharply declining trend in failures reported, since the annual peak occurs after the first of the year.

Money and the Market

GENERAL uncertainty, especially regarding financial institutions, sent stock prices sliding down to new lows for the year early this week. Industrial issues touched ground hitherto unseen since January, 1927, rails went to 1924 levels. An army of bears joined the rout and stop-loss orders were uncovered, margin accounts endangered, foreign liquidation brought in, and brokers' loans carried down to a new low for the twelfth successive week. Bonds, as noted elsewhere, contributed to the débâcle. Volume of sales rose higher than for many weeks in both markets.

The Turn of the Tide

Then came a rally on Wednesday, vigorous and merciless. Bears in some issues were caught, squeezed, driven to cover at substantially higher prices. The strong buying which turned the tide, at least temporarily, came when the financial community was gloomiest. It was variously attributed to banking support and to the attraction of high yields —5¾% on leading industrials, 7% on rails, nearly 4½% on utilities.

Encouraging as was the movement, skeptics point out that the market must prove itself before any sustained rise can be expected. The present status of business and earnings will necessitate a term of testing and irregular fluctuations even though this prove to be the end of the decline.

The low prices brought two unusual developments—a large pool, publicly announced in Transamerica, and a reported huge pool to support Canadian stocks in Canadian markets. Considerable buying activities were reported, but the Street is awaiting the test of time.

With fear for financial houses accelerating the stock drop, the bank stock market also touched new lows. Some blamed the weakness in that market for the extreme weakness in common stocks. But bank stocks also found new strength during the week and had their own rally, though failures continued in the South and several cities sprouted fresh crops of unsettling, if not criminal, rumors about the condition of their banks.

Holiday and Treasury financing influences dominated credit and money movements this week, and will do so for some weeks to come. The tremendous seasonal increase in currency circulation this year has been accentuated by withdrawals from banks. Some banks probably have been forced to resort to the Federal Reserve temporarily to withstand heavy demands made upon them.

The increased need for credit was met by a very considerable increase in member bank borrowing from the Reserve banks and a large increase in the Reserve banks' government security holdings. The latter total has been pushed to the highest point in history by virtue of a $90-million increase in the past 2 weeks. Volume of bankers' acceptances held also rose, but less rapidly.

No change in Federal Reserve policy is decisively indicated as yet. It seems probable that the shortage of bills in relation to demand has forced the system to meet its seasonal credit expansion a little differently than usual. But the system's statements will be watched with unusual interest hereafter.

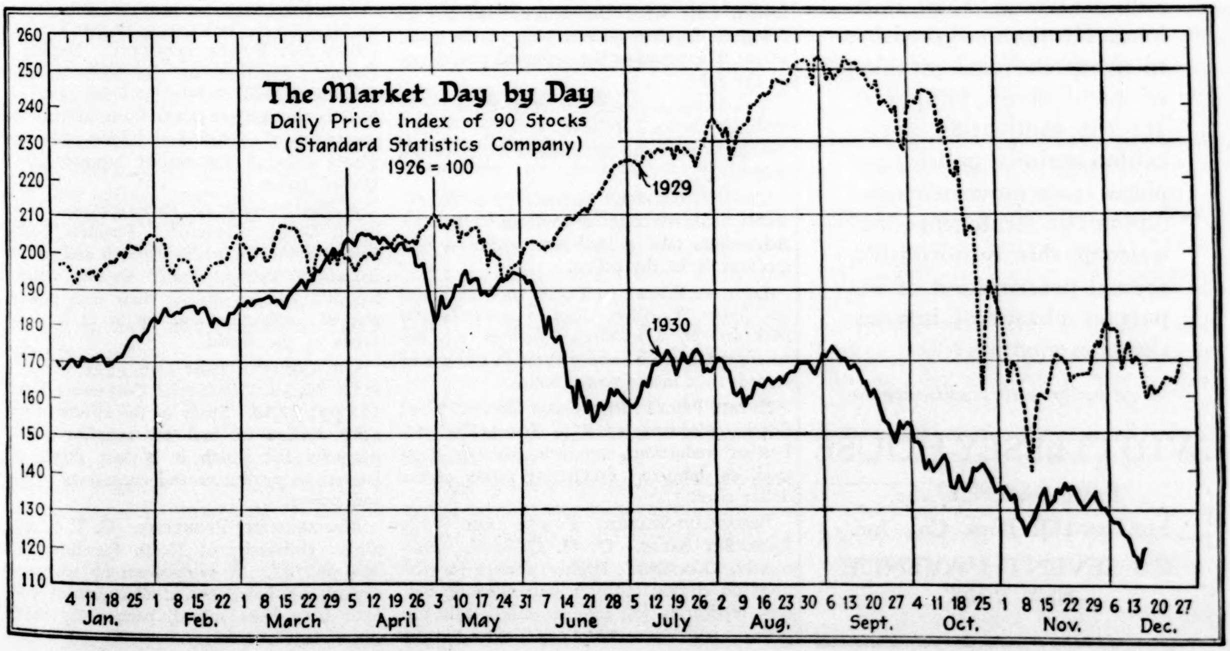
Member bank credit declined, largely from the seasonal recession of commercial loans. Security loans are almost unchanged, and investments increased but a little.

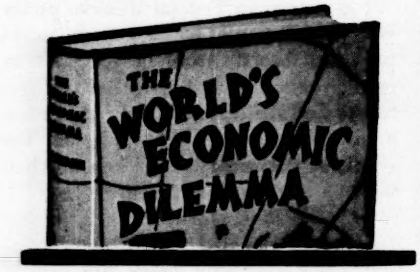
Call Money Rises

Call money rose to 2½% for the first time since early September, and time money was a little firmer. Out-of-town banks were pulling their funds out of New York, reserves rose, and deposits showed only a small change.

Weakness in commodity prices and on the New York stock market carried down all European exchanges excepting the Italian. Holiday currency requirements there as here tightened money, though ample supplies are available there as here, if foreign balances are left undisturbed instead of being taken home for window dressing.

France still mobilizes funds. The increase in her gold holdings bids fair to continue for weeks to come, as London refiners are booked up through January. Sterling exchange is under pressure, but international banking efforts are operating to assist it.





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What's Wrong with the Banks? J. G. Curtis. *Nation,* Dec. 17. Why this scourge of bank suspensions and failures?

Wide Market for Bank Stocks a Possible Asset. D. B. Woodward. *American Bankers Association Journal,* December. Danger exists in fluctuations inspired by false rumors and gossip. Several important benefits include greater marketability and strengthening contact with the investing public.

Looking Ahead in Housing. Thomas S. Holden. *Advertising & Selling,* Dec. 10. Too long it has been a speculative racket. Now we have a major marketing problem.

The Cost of Small Loans. Howard Wright Haines. *American Bankers Association Journal,* December. Approximately 170 commercial banks are now operating successful departments for borrowers of sums ranging from $50 to $1,000. Risks and costs.

Over-Smartness in Advertising Copy Cuts the Returns from Plain People. George Logan Price. *Printers' Ink,* Dec. 11. There are indications that we have gone provincial and that many advertisers have not discovered this fact.

Controlled Distribution Insures Freshness of Retail Stocks. Frederick Beers. *Food Industries,* December. Experiences of the National Biscuit Co. which can be translated into programs of other food distributing companies.

The Latest Selling and Manufacturing Methods in Europe. Herbert N. Casson. *Forbes,* Dec. 15. Interesting gossip of a recent tour.

Publicity, Salesmanship, and the Mining Industry. Frank H. Probert. *Engineering and Mining Journal,* Dec. 8. Dean of the College of Mining, University of California, tells what the mining industry is doing to develop salesmanship to the point where it approaches the technical proficiency of the field.

The Level of the Thirteen-Year-Olds. William Orton. *Atlantic,* January. Broadcasting as it is and as it might be, discussed unsparingly.

The "Sponsored" Movie. Peter B. Andrews. *Advertising & Selling,* Dec. 10. Advertisers take a leaf from radio—a new medium is in the offing.

Look at Power in Terms of Net Profits. Stuart W. Allen. *Factory and Industrial Management,* December. Savings are nowhere made more readily through the use of records than in the power house.

Retail Prices Must Come Down. Ward Gates. *Magazine of Wall Street,* Dec. 13. Further reduction imminent, though commodities stabilize. Purchasing power of the dollar rises.

Broadcast-Station Power and 1931 Radio-Set Sales. O. H. Caldwell. *Electronics,* December. Higher powers for stations on cleared channels will open up vast new territories for receiver sales, will improve summer reception, extend the production-period of radio factories, usher in $100,000,000 of waiting receiver sales.

An American Loan to Russia? Miles M. Sherover. *New Republic,* Dec. 17. Benefits from a loan, a cure for Russian dumping, export-credit guarantees.

REPORTS—SURVEYS

The Bonbright Survey of Electric Light and Power Companies of the United States. Edited by G. F. Wittig. McGraw-Hill, 200 pp., $10. Intimate picture of the electric light and power industry by states and communities. Kind of service in each community, financial reports of utilities companies, index of operating and holding companies, count of central station customers by states and classes.

Building and Loan Construction Standards. John M. Wyman. American Building Association News Co., 188 pp. Suggested specifications for residential building to be used by building and loan associations as a criterion for making loans.

Cotton Year Book for 1930. Published by the New York Cotton Exchange, under direction of Alston Garside, 251 pp. Valuable statistical information regarding American and foreign cotton.

Travel Routes and Costs in Latin America. Bureau of Foreign and Domestic Commerce, Washington, 82 pp., 15 cents. Handy guide for export managers who are contemplating sending salesmen to Latin America.

BOOKS

The House of Morgan. Lewis Corey. G. Howard Watt, 479 pp., $5. A social biography of the great financial institution which has played such an important role in the development of American industry and finance. Complete story down to the Wall Street panic of 1929.

The American Leviathan. Charles A. and William Beard. Macmillan, 824 pp., $5. Dynamic study of men and ideas of government in action in this machine age.

The Changing Character and Extent of Municipal Ownership in the Electric Light and Power Industry. Herbert B. Doran. Institute for Research in Land Economics and Public Utilities, 102 pp., $1.50. Changes, in graph form, in municipal ownership of electrical and light and power plants doing a commercial business in the United States.

A Philosophy of Production. Edited by J. George Frederick. Business Bourse, 259 pp., $4. In which 10 men and women, including Young, Ford, Taylor, Calkins, Kendall, Abbott, discuss their own philosophy of production and try to fit it to the needs of the world.

Oil Conservation and Fuel Oil Supply. National Industrial Conference Board, 165 pp., $2.50. Study of the effects of possible decline in fuel oil supplies and of purposes for which it is best fitted. Of interest to producers and consumers of fuel and power.

Management Problems. G. T. Schwenning. University of North Carolina Press, 264 pp., $2. A symposium by recognized experts on how specific management problems have been solved, particularly in the cotton textile industry.

The Dublin Letters

To Mr. George Clark on the Question of Opening a Chicago Office

The "Hawk's Nest"
New Hampshire
September, 1928

Dear George:

Your letter was convoyed by another from Ben Frost—a battleship of an epistle belching smoke from the funnels and bamming a broadside at me that blew me off the front porch.

After reflection I think it best not to enclose Ben's communiqué. Its assembly of language is not patterned after the best modes of the Court of St. James'. It is a plain speaker. Also a loud speaker. It names names. You are one of them and Ben tore the whole Seven Veils off Phil Bailey. I drew 3 paragraphs myself on the theme of my absentee management.

Collectively we are referred to as the "invisible committee which runs the Agency like a town meeting by mail." And Ben describes himself as "a man athirst for decisions who goes around with a Lily Cup begging someone to drop a Yes or a No into it." I quote the milder parts.

Naturally I took exception to Ben's writing manners as displayed in his document at hand. It roused in me that sort of juvenile anger that makes one want to slam doors.

But now that I have sorted out my sensations I find a good deal of substance in Ben's blast of expression. There's a thwack of righteousness in it I cannot easily ignore. Put alongside of your own bland and soothing missive I am compelled to be impressed by Ben's superior show of muscle—whether I like it or not.

Two weeks or so ago—wasn't it?—when we talked over the 'phone, I assumed the Chicago office matter was all settled. I suppose I was too much like the general who told the boys to go on out and win the battle and then, knowing that was all fixed, started in to write his memoirs.

Now, it seems, the Chicago office matter is *not* settled. It's back into the pow-wow where it started. Damn this huddle habit that's tumored itself onto American business. The idea is to run a concern forward—not talk it into a coma.

There are a number of reasons why we should get the Chicago office going, to wit:

We should have done it 5 years ago, if only for the stretching exercise—and I blame my own inertia for not doing it.

The Superb Appliance account now deserves this move on our part.

If Ben Frost can bring in the Ross Plow & Tool Co., by reason of our establishing Chicago headquarters, we owe it to Ben and ourselves to go through with it.

And, last but not least, you seem to think that all the argument is concerned with a lease, a van-load of office furniture, and a Western pay-roll.

This is where, in my opinion, you missed a very pretty point. What we are reviewing now, George, is not the price of office space in Chicago nor how much we'll pay someone to manage the new set-up, nor whether we'll furnish in walnut or mahogany.

What we are reviewing now is a *man*. He is a hurt and fighting man. His entrails are crawling with defiance and his entire anatomy is stiffened with resolution. In the past we have known him as Ben Frost—a patient, solid worker and a bullock for responsibility.

As of to-day, we have got to wrench ourselves into the idea that the old Ben Frost has been shoved into oblivion by a new Ben Frost we're not fully acquainted with yet.

My intuitive ouija-board tells me that Ben has decided to head himself for the the higher honors. I believe he's a candidate for the presidency of the Dublin Advertising Agency. And the more I think of it the more I think why not?

In Ben Frost I believe we are being treated to a fascinating look into a human character. For some reason or other Ben has suddenly stretched—or exploded—into a full maturity. He has sponsored the Loomis merger. He is trying to shape conditions so that he can bring the Ross account over. He stands up on his hind legs and tells us what he thinks of us—right straight in the mug.

These are not the manifestations of a mere faithful hireling.

Men who get anywhere often do explode in this unaccountable and inscrutable way.

Most of the biography you and I were raised on was the skim-milk of the real truth. It imparted the illusion somehow that successful men develop along a progressive and symmetrical pattern—a slow but positive ascension to the higher realms of power. Sure the heroes had their adversities. But the darlings of the gods seemed to be working under a guarantee of ultimate cash-in and their troubles were only used for a filler.

Nobody knows what a man goes through in shaping himself to accept the bitterest and most thrilling of all realities; which is that he who desires to step one foot outside the bounds of the safe and slothful average must take that step *alone*.

Nobody is in the whole confidence of the man who is mustering his guts and gathering those internal forces which will announce to his pals that another unique human personality is ready to put his impress upon his external world.

So, one day, this man detonates. The little crowd around him jumps. They are startled—and puzzled. There is much skittering around and asking each other what's the big idea? And who does this guy think he is? They hope he will get fired. They don't know he has already fired himself out of his old job because he got sick of the damn thing.

Reflection whispers to me that maybe we are lucky to have a Ben Frost in our gang who has erupted at the exact time. Think of the business concerns throughout America whose greatest need is one man who will deliver the explosive principle into a church-y session of the directors some dozing afternoon and knock the boys for a grand slam.

When I think of the many different business outfits the Dublin Agency has meandered in and cut off in the past 20 years I can recall a number of them that suffered from an insufficient diet of the truth about themselves. They harbored no man with enough nerve to swing an independent idea at the boss or to demand a cut in the major doings. A business without men who can shove the boss around is a feeble thing. It has no force. The Head Guy may be all puffed up with pride in his organization, but in reality he is dragging a dead load—and time proves it.

Give us men or we perish. We—humankind—are in the hands of each other.

Perhaps we have strangled and bruised Ben Frost by too much management. So let's anoint him with a little of that fragrant unguent of giving him his own way.

Please don't let Phil Bailey throw this situation into another straddle.

Question: Has Phil Bailey become one of those furtive and odorous men who can fly only by clipping the wings of others?

God forbid—and let me know our new Chicago address. J. W. D.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

December 24, 1930

—And All Through The House

(As Well as the Senate)

IN the weeks before Christmas, this year, there has been a notable revival of the time-honored belief in the governmental Santa Claus. Hardened congressmen and hoary solons alike have donned the false beard of fiscal benevolence and are trying to climb down the devious chimneys of political favor to gladden the cheerless hearths of their child-like constituents with glittering gifts from the bottomless bag of the Treasury Department. When the overworked paterfamilias in the White House objects he is charged with callous skepticism about the reality of Santa Claus, and Congress is divided in bitter debate on the Kris Kringle question.

At the risk of appearing unseasonably cynical, we wish the old boys in Washington would drop this Santa Claus stuff and quit trying to kid their constituents into believing in the old gent, whether he be disguised as Andrew Mellon or anybody else.

A fair proportion of American business men are adult; they know where the Christmas presents of government come from and who pays the bills. The theory that government can make everybody happy by taxing those who have, to distribute it among those who haven't, seems to them an economic myth that looks as pretty as a Christmas card on paper, but where it is tried out, as it is in socialist Europe, soon leads to the conclusion that there ain't no Santa Claus, even beneath the whiskers of Karl Marx.

They are perfectly willing to make their contribution to the neediest cases, where drought or other misfortune has made relief necessary, but they do not see that prosperity can be restored by handing everybody gifts from the government Christmas tree, and they have especially little good will at this season toward those overgrown infant industries who won't eat their spinach and are still crying for an all-day sucker in the form of subsidy or other special favors. When Santa Claus comes down the chimney with a magnificent new merchant marine, an overflowing Hawley-Smoot grab-bag, a fine old Farm Board, a great big Rivers and Harbors Bill, or a pretty new public works appropriation, cheerily crying "Noel," we know well enough that it's only old Mr. Taxpayer dressed up for the occasion.

So the grown-ups of this nation, young as we are, wish that the fond old folks in Washington would this year cease trying to fill our somewhat empty Christmas stocking with tinsel trinkets from the Treasury. It would make us much merrier, we feel, if they would first try to darn some of the holes in the stocking, so that in future years some of our more substantial blessings might not slip through the toes.

A little less enthusiasm about governmental regulation and bright new bureaucratic machinery, a little more careful long-time planning of public expenditures, a little more earnest international cooperation in checking the building of barriers to foreign trade, lightening debt burdens and facilitating the normal growth and distribution of world credit resources—all these things would help American business itself to deck the Christmas tree of prosperity with the substantial gifts of our natural resources, our free initiative and intelligence, without resort to the infantile nursery-tricks of a governmental Santa Claus. He can never produce anything from his bag which someone's industry has not first put there, and he wastes a lot of time and energy tying it up in tinsel and red-tape and climbing around in the sooty chimneys of politics trying to distribute it equally, without ever satisfying anybody or fooling anybody anyway.

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